Gulf Insurance Group K.S.C.P. and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

EY
Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF INSURANCE GROUP K.S.C.P.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Gulf Insurance Group K.S.C.P. (the "Parent Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF INSURANCE GROUP K.S.C.P. (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 25 of 2012, as amended and its executive regulations, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 25 of 2012, as amended and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2015 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI LICENCE NO. 68 A EY AL AIBAN, AL OSAIMI & PARTNERS	DR. SAUD HAMAD AL-HUMAIDI LICENSE NO. 51 A OF DR. SAUD HAMAD AL-HUMAIDI & PARTNERS MEMBER OF BAKER TILLY INTERNATIONAL

11 February 2016
Kuwait

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2015

	Notes	*2015 KD*	*2014 KD*
Revenue:			
Premiums written		**185,916,313**	173,602,355
Reinsurance premiums ceded		**(87,647,992)**	(82,665,805)
Net premiums written		**98,268,321**	90,936,550
Movement in unearned premiums reserve		**1,513,191**	(919,895)
Movement in life mathematical reserve		**(237,067)**	(148,030)
Net premiums earned		**99,544,445**	89,868,625
Commission received on ceded reinsurance		**13,557,804**	11,900,829
Policy issuance fees		**3,446,475**	3,274,787
Net investment income from designated life insurance	3	**288,946**	222,658
		116,837,670	105,266,899
Expenses:			
Claims incurred	11	**72,270,862**	68,478,377
Commission and discounts		**11,102,153**	10,537,860
Increase in incurred but not reported reserve		**4,633**	219,605
Maturity and cancellations of life insurance policies		**2,363,716**	1,919,210
General and administrative expenses		**18,783,735**	15,566,823
		104,525,099	96,721,875
Net underwriting income		**12,312,571**	8,545,024
Net investment income	3	**5,350,941**	9,254,585
Share of results of associates	6	**6,484,765**	2,163,938
Net sundry income		**464,763**	395,910
		24,613,040	20,359,457
Other charges:			
Unallocated general and administrative expenses		**(7,716,968)**	(5,994,363)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT TAX AND DIRECTORS' FEES		**16,896,072**	14,365,094
Contribution to KFAS		**(182,641)**	(116,076)
NLST		**(331,533)**	(170,584)
Zakat tax		**(163,253)**	(66,102)
Directors' fees		**(155,000)**	(155,000)
PROFIT FOR THE YEAR		**16,063,645**	13,857,332
Attributable to:			
Equity holders of the Parent Company		**14,089,207**	12,001,391
Non-controlling interests		**1,974,438**	1,855,941
		16,063,645	13,857,332
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	**78.60 fils**	66.42 fils

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 KD	2014 KD
Profit for the year		**16,063,645**	13,857,332
Other comprehensive (loss) income			
Other comprehensive(loss) income to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates	6	**57,043**	207,384
Net unrealised (loss) gain on investments available for sale		**(3,317,701)**	375,421
Net realised loss (gain) transferred to statement of income on disposal of investments available for sale	3	**303,666**	(2,796,748)
Transfer to statement of income on impairment of investments available for sale	3	**495,162**	118,015
Exchange differences on translation of foreign operations		**(133,283)**	831,944
Other comprehensive income not to be reclassified to income statement in subsequent periods:			
Revaluation of freehold land and building	5	**-**	2,559,760
Other comprehensive (loss) income for the year		**(2,595,113)**	1,295,776
Total comprehensive income for the year		**13,468,532**	15,153,108
ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**11,494,094**	13,297,167
Non-controlling interests		**1,974,438**	1,855,941
		13,468,532	15,153,108

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	*2015 KD*	*2014 KD*
ASSETS			
Property and equipment	5	**16,730,834**	15,682,210
Investment in associates	6	**39,633,670**	28,142,091
Goodwill	7	**12,931,332**	8,998,351
Financial instruments:			
Investments held to maturity		**25,880,471**	19,271,576
Debt securities (loans)		**18,047,621**	11,733,148
Investments available for sale	8	**21,806,598**	35,170,682
Investments carried at fair value through income statement	9	**25,864,826**	19,854,424
Loans secured by life insurance policies		**1,347,099**	1,266,153
Premiums and insurance balances receivable	10	**62,205,924**	47,164,201
Reinsurance recoverable on outstanding claims	11	**42,838,901**	50,140,310
Property held for sale		**3,532,554**	286,876
Other assets	12	**18,971,114**	12,767,641
Time deposits	13	**34,660,920**	23,565,538
Cash and cash equivalents	14	**43,972,593**	73,176,130
TOTAL ASSETS		**368,424,457**	347,219,331
LIABILITIES AND EQUITY			
LIABILITIES			
Liabilities arising from insurance contracts:	11		
Outstanding claims reserve (gross)		**97,460,110**	98,444,923
Unearned premiums reserve (net)		**34,462,862**	32,654,100
Life mathematical reserve (net)		**21,943,942**	21,697,645
Incurred but not reported reserve (net)		**1,650,000**	4,126,296
Total liabilities arising from insurance contracts		**155,516,914**	156,922,964
Premiums received in advance		**3,946,431**	761,444
Insurance payable	15	**49,180,466**	44,382,066
Other liabilities	16	**22,389,159**	21,762,413
Bank overdrafts	14	**26,381,565**	21,532,000
TOTAL LIABILITIES		**257,414,535**	245,360,887
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	17	**18,703,913**	18,703,913
Share premium		**3,600,000**	3,600,000
Treasury shares	18	**(4,136,617)**	(3,967,705)
Treasury shares reserve		**2,051,215**	2,051,215
Statutory reserve	19	**18,574,076**	17,081,913
Voluntary reserve	20	**22,527,489**	21,035,326
Other reserve		**(3,061,226)**	(3,054,726)
Cumulative changes in fair values		**(393,095)**	2,068,735
Foreign currency translation adjustments		**(4,019,119)**	(3,885,836)
Revaluation reserve		**2,559,760**	2,559,760
Retained earnings		**33,176,581**	27,986,879
Equity attributable to equity holders of the Parent Company		**89,582,977**	84,179,474
Non-controlling interests		**21,426,945**	17,678,970
Total equity		**111,009,922**	101,858,444
TOTAL LIABILITIES AND EQUITY		**368,424,457**	347,219,331

Farqad A. Al-Sane
Chairman

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2015

	Attributable to equity holders of the Parent Company												
	Share capital *KD*	*Share premium* *KD*	*Treasury shares* *KD*	*Treasury share reserve* *KD*	*Statutory reserve* *KD*	*Voluntary reserve* *KD*	*Other reserve* *KD*	*Cumulative changes in fair values* *KD*	*Foreign currency translation adjustments* *KD*	*Revaluation reserve* *KD*	*Retained earning* *KD*	*Sub total* *KD*	*Non-controlling interests* *KD*	*Total equity* *KD*
Balance at 1 January 2015	18,703,913	3,600,000	(3,967,705)	2,051,215	17,081,913	21,035,326	(3,054,726)	2,068,735	(3,885,836)	2,559,760	27,986,879	84,179,474	17,678,970	101,858,444
Profit for the year	-	-	-	-	-	-	-	-	-	-	14,089,207	14,089,207	1,974,438	16,063,645
Other comprehensive (loss) income	-	-	-	-	-	-	-	(2,461,830)	(133,283)	-	-	(2,595,113)	-	(2,595,113)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(2,461,830)	(133,283)	-	14,089,207	11,494,094	1,974,438	13,468,532
Dividend for 2014 (Note 17)	-	-	-	-	-	-	-	-	-	-	(5,915,179)	(5,915,179)	-	(5,915,179)
Purchase of treasury shares	-	-	(168,912)	-	-	-	-	-	-	-	-	(168,912)	-	(168,912)
Change in ownership of a subsidiary (Note 27)	-	-	-	-	-	-	(6,500)	-	-	-	-	(6,500)	-	(6,500)
Non-controlling interest arising on acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	3,336,764	3,336,764
Transfer to reserves	-	-	-	-	1,492,163	1,492,163	-	-	-	-	(2,984,326)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,563,227)	(1,563,227)
Balance at 31 December 2015	**18,703,913**	**3,600,000**	**(4,136,617)**	**2,051,215**	**18,574,076**	**22,527,489**	**(3,061,226)**	**(393,095)**	**(4,019,119)**	**2,559,760**	**33,176,581**	**89,582,977**	**21,426,945**	**111,009,922**

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2015

	Attributable to equity holders of the Parent Company													
	Share capital KD	*Share premium* KD	*Treasury shares* KD	*Treasury share reserve* KD	*Statutory reserve* KD	*Voluntary reserve* KD	*Other reserve* KD	*Cumulative changes in fair values* KD	*Foreign currency translation adjustments* KD	*Revaluation reserve* KD	*Retained earning* KD	*Sub total* KD	*Non-controlling interests* KD	*Total equity* KD
Balance at 1 January 2014	18,703,913	3,600,000	(1,837,125)	2,051,215	15,830,998	19,784,411	(3,015,966)	4,164,663	(4,717,780)	-	23,935,043	78,499,372	16,795,727	95,295,099
Profit for the year	-	-	-	-	-	-	-	-	-	-	12,001,391	12,001,391	1,855,941	13,857,332
Other comprehensive (loss) income	-	-	-	-	-	-	-	(2,095,928)	831,944	2,559,760	-	1,295,776	-	1,295,776
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(2,095,928)	831,944	2,559,760	12,001,391	13,297,167	1,855,941	15,153,108
Dividend for 2013 (Note 17)	-	-	-	-	-	-	-	-	-	-	(5,447,725)	(5,447,725)	-	(5,447,725)
Purchase of treasury shares	-	-	(2,130,580)	-	-	-	-	-	-	-	-	(2,130,580)	-	(2,130,580)
Change in ownership of a subsidiary (Note 27)	-	-	-	-	-	-	(38,760)	-	-	-	-	(38,760)	-	(38,760)
Transfer to reserves	-	-	-	-	1,250,915	1,250,915	-	-	-	-	(2,501,830)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(972,698)	(972,698)
Balance at 31 December 2014	18,703,913	3,600,000	(3,967,705)	2,051,215	17,081,913	21,035,326	(3,054,726)	2,068,735	(3,885,836)	2,559,760	27,986,879	84,179,474	17,678,970	101,858,444

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 KD	2014 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat tax and directors' fees		**16,896,072**	14,365,094
Adjustments for:			
Depreciation	5	**1,134,764**	4,115,133
Net investment income		**(6,135,049)**	(9,154,293)
Impairment losses	3	**495,162**	234,570
Share of results of associates	6	**(6,484,765)**	(2,163,938)
Gain arising on reclassification of investments available for sale to investment in associates	6	**-**	(127,614)
		5,906,184	7,268,952
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		**(566,682)**	(2,698,982)
Premiums and insurance balances receivable		**(11,511,047)**	1,429,995
Reinsurance recoverable on outstanding claims		**8,021,787**	(2,786,781)
Other assets		**(5,829,792)**	288,807
Liabilities arising from insurance contracts		**(5,522,423)**	11,711,774
Premiums received in advance		**3,184,987**	481,389
Insurance payable		**3,489,041**	3,054,161
Other liabilities		**(1,247,162)**	3,912,229
Cash from operations		**(4,075,107)**	22,661,544
Paid to KFAS		**(88,519)**	(107,213)
Paid to NLST		**(174,881)**	(183,807)
Paid to Zakat		**-**	(22,905)
Paid to directors		**(155,000)**	(155,000)
Net cash (used in) from operating activities		**(4,493,507)**	22,192,619
INVESTING ACTIVITIES			
Purchase of property and equipment	5	**(1,304,027)**	(4,478,145)
Proceeds from sale of property and equipment		**107,122**	144,559
Purchase of investment in a subsidiary	27	**(5,794,481)**	(188,025)
Purchase of investment in associates	6	**(5,906,337)**	(719,417)
Dividends received from associates	6	**1,434,580**	933,958
Movement in investment held to maturity		**(3,321,674)**	647,390
Movement in debt securities (loans)		**(6,314,473)**	24,889
Net movement on investments available for sale		**3,729,996**	(109,105)
Movement in loans secured by life insurance policies		**(80,946)**	(80,721)
Proceeds from sale of property held for sale		**327,799**	135,643
Time deposits		**(11,095,382)**	(2,244,492)
Interest received		**4,950,771**	3,915,200
Dividends received		**1,918,974**	1,435,858
Net cash used in investing activities		**(21,348,078)**	(582,408)
FINANCING ACTIVITIES			
Dividends paid		**(5,915,179)**	(5,447,725)
Purchase of treasury shares		**(168,912)**	(2,130,580)
Dividends to non-controlling interests		**(1,563,227)**	(972,698)
Net cash used in financing activities		**(7,647,318)**	(8,551,003)
Foreign currency translation adjustments		**(564,199)**	355,331
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(34,053,102)**	13,414,539
Cash and cash equivalents at beginning of the year		**51,644,130**	38,229,591
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14	**17,591,028**	51,644,130

1 CORPORATE INFORMATION

The consolidated financial statements of Gulf Insurance Group K.S.C.P. (the "Parent Company") and subsidiaries (the "Group") for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 11 February 2016. The Shareholders' General Assembly has the power to amend the consolidated financial statements after issuance.

The Parent Company was incorporated as a Kuwaiti Shareholding Company in accordance with the Amiri Decree No. 25 of 9 April 1962, and is listed on the Kuwait Stock Exchange. The Parent Company's objectives include all types of insurance, indemnities, compensations and investing its capital and assets in various financial and real estate investments, both locally and abroad.

The Parent Company is 44.04% (31 December 2014: 44.04%) owned by Kuwait Projects Company Holding K.S.C. (previously the "Ultimate Parent Company" and 41.42% (31 December 2014: 41.42%) by Fairfax Middle East Limited Company.

The address of the Parent Company's registered office is Khaled Ibn Al-Waleed Street, KIPCO Tower, Floor No 42, Office No 1 & 2, Shark, Kuwait City P.O. Box 1040 Safat, 13011 State of Kuwait.

The Group employs 1,676 employees as at 31 December 2015 (31 December 2014: 1,292 employees).

2.1 BASIS OF PREPERATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost convention modified to include the measurement at fair value of investments carried at fair value through income statement and investments available for sale. The consolidated financial statements are presented in Kuwaiti Dinars which is the functional and reporting currency of the Parent Company.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2015.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

2.2 BASIS OF CONSOLIDATION (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Product classification

Insurance contracts

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Investment contracts

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or the other variable.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Revenue recognition

Premiums earned
Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the consolidated statement of income in order that revenue is recognised over the period of risk.

Commissions earned and paid
Commissions earned and paid are recognised at the time of recognition of the related premiums.

Policy issuance fees
Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

Interest income
Interest income is recognised using the effective interest rate method.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Dividend income
Dividend income is recognised when the right to receive payment is established.

Rental income
Rental income is recognised on a straight line basis over the term of the lease.

Realised gains and losses
Realised gains and losses include gain and loss on financial assets and are calculated as the difference between net sales proceeds and the carrying value, and are recorded on occurrence of the sale transactions.

Claims
Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to consolidated statement of income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Group and those not reported at the reporting date.

The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date. Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the underwriting account of that year.

Policy acquisition costs
Commissions paid to intermediaries and other (incremental) direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The Deferred policy Acquisition Costs (DAC) are subsequently amortized over the term of the insurance contracts to which they relate as premiums are earned.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts is less than the carrying value an impairment loss is recognised in the consolidated statement of income. DAC is also considered in the liability adequacy test for each reporting period.

DAC are derecognised when the related contracts are settled or disposed of.

Segment reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Liability adequacy test
At each reporting date the Group assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in light of estimated future cash flows, the entire deficiency is immediately recognised in the consolidated statement of income and an unexpired risk provision is created.

The Group does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance contracts held
In order to minimise financial exposure from large claims the Group enters into agreements with other parties for reinsurance purposes. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts are shown as "reinsurance recoverable on outstanding claims" in the consolidated statement of financial position until the claim is paid by the Group. Once the claim is paid the amount due from the reinsurers in connection with the paid claim is transferred to "premiums and insurance balances receivables".

Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business.

At each reporting date, the Group assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts when applicable. Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Taxation
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat represent levies/taxes imposed on the entity at the flat percentage of net profits less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent taxation/levy regulations no carry forward of losses is permitted and there are no significant differences between the tax /levy bases of assets and liabilities and their carrying amount for financial reporting purposes.

Property and equipment
Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Land is not depreciated. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Furniture and fixtures, motor vehicles and leasehold improvements are stated at cost less accumulated depreciation and any impairment in value.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Depreciation is provided on a straight line basis over the useful lives of the following classes of assets:

Building	20 – 50	Years
Furniture and fixtures	1 – 2	Years
Motor vehicles	1 – 4	Years
Leasehold improvements	Up to 7	Years

Investments in associates

The Group's investment in associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in associates is carried in the consolidated statement of financial position at cost plus post acquisition charges in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associates. When there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The Group's share of profit of associates is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associates and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognises the amount in the 'share of results of associates' in the consolidated statement of income.

Upon loss of significant influence over the associates, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associates upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, financial asset available for sale, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Investments held to maturity
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortized cost, using the effective interest rate, less impairment. The effective interest rate, amortization is included in 'net investment income' in the consolidated statement of income. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortization process.

Loans and other receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortized cost, using the effective interest rate, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in 'net investment income' in the consolidated statement of income. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortization process.

Investments available for sale
Investments available for sale are those non-derivative financial assets that are designated as available for sale or are not classified as "loans and receivables". After initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in other comprehensive income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of income. Financial assets available for sale whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Investments carried at fair value through income statement
Investments carried at fair value through income statement include financial assets held for trading and those designated at fair value through income statement at inception. Investments typically bought for the purpose of selling in the near term are classified as held for trading. For investments designated as at fair value through income statement, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value.

Fair value adjustments and realised gain and loss are recognised in the consolidated statement of income.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

Receivables
Accounts receivable are stated at their face value less impairment losses or provision for doubtful accounts.

Cash and cash equivalents
Cash includes cash on hand and at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of placement and that are subject to an insignificant risk of change in value. Cash and cash equivalents in the consolidated statement of cash flows are presented net of bank overdrafts.

De-recognition of financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
a) The rights to receive cash flows from the asset have expired;
b) The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
c) The Group has transferred its rights to receive cash flows from the asset and either has transferred all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Investments available for sale
For investments available for sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income - is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognized directly in other comprehensive income.

Fair values of financial instruments and further details as to how they are measured are provided in Note 29.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities
Financial liabilities consist of insurance payable and certain items under other payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

Initial recognition and measurement
Financial liabilities are initially recognised at fair value.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification, as follows:

Insurance payables
Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

De-recognition of financial liabilities
A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

Fair values
The Group measures certain financial instruments such as derivatives, and non-financial assets such as investment property, at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The Group must be able to access the principal or the most advantageous market at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values (continued)
For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Investments with no reliable measure of their fair value and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

Properties held for sale
Properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as properties held for sale and are measured at lower of cost and net realisable value.

Cost includes free hold and leasehold rights for land, amount paid to contractors for construction, borrowing costs, planning and design costs, cost of site preparation , professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated cost of sale. Non refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

The cost of properties held for sale recognised in consolidated statement of income on disposal is determined with reference to the specific cost incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold. Write down of properties held for sale are charged to other operating expenses.

Outstanding claims reserve
Outstanding claims comprise the estimated cost of claims incurred and reported but not settled at the reporting date. Provisions for reported claims not paid as at the reporting date are made on the basis of individual case estimates.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the underwriting account for that year.

Unearned premium reserve
The reserve for unearned premiums includes premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income.

Life mathematical reserve
The reserve for the life business at the reporting date represents the mathematical liability of policies in force at that date as determined by the Group's actuaries.

Incurred but not reported reserve
The incurred but not reported reserve includes amounts reserved for claims incurred but not reported at the financial position date in addition to other contingencies and any differences that may arise. Provision based on management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the consolidated statement of financial position date.

End of service indemnity
Provision is made for amounts payable to employees under the Kuwaiti Labour Law, employee contracts and applicable labour laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on reporting date.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares
Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity (Treasury shares reserve) which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Employees' share option reserve
Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

Equity-settled transactions
The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the market value of the Parent Company's shares at each reporting date and the date of final settlement to the exercise price with any change in intrinsic value recognised in the consolidated statement of income.

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees exercise their rights. The cumulative expense recognised for equity-settled transactions at each reporting date until the exercise date reflects the extent to which the exercise period has expired and the number of awards that, in the opinion of the directors at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

Foreign currency transactions
The Group's consolidated financial statements are presented in Kuwaiti Dinars, which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the consolidated statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency transactions (continued)

ii) Group companies
On consolidation, assets and liabilities of foreign operations are translated into Kuwaiti dinars at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Other reserve
Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

Contingencies
Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:
- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

Non-life insurance contract liabilities (Insurance technical reserves)
For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date, provision for outstanding claims (OCR) and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimation uncertainty (continued)

Non-life insurance contract liabilities (Insurance technical reserves) (continued)
Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. A margin for adverse deviation may also be included in the liability valuation.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Life insurance contract liabilities (Life mathematical reserve)
The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group base mortality and morbidity tables on standard industry and national tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Reinsurance
The Group is exposed to disputes with, and possibility of defaults by, its reinsurers. The Group monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Judgement
In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Classification of investments
Management decides on acquisition of an investment whether it should be classified as available for sale or investments carried at fair value through income statement or held to maturity investments. The Group classifies investments as carried at fair value through income statement if the fair value can be reliably determined. The Group classifies investment as "held to maturity" if they meet the relevant criteria for each classification. All other investments are classified as available for sale.

Impairment of investments
The Group treats investments available for sale as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Goodwill impairment testing
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which goodwill is allocated.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Judgement (continued)

Impairment of receivables
An estimate of the collectible amount of accounts receivable is made when collection of part of or the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Classification of real estate
Management decides on acquisition of a real estate whether it should be classified as trading or investment property. The Group classifies property as property held for sale if it is acquired principally for sale in the ordinary course of business. The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

2.4 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

New and amended accounting policies, standards and interpretations
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRSs recently issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective for annual periods beginning on or after 1 January 2015:

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group's current accounting policy and thus, this amendment did not impact the Group's accounting policy.

IFRS 8 Operating Segments
The amendments are applied retrospectively and clarify that:
- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in IFRS 8.12 and thus, this amendment did not impact the Group's accounting policy.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2015 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.4 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

New and revised IASB Standards issued but not yet effective

IFRS 9 Financial Instruments (effective for annual periods on or after 1 January 2018)
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is in the process of quantifying the impact of this standard on the Group's consolidated financial statements, when adopted.

IFRS 15 – Revenue from Contracts with customers (effective for annual periods on or after 1 January 2018)
IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2018. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRS 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The parent company is in the process of evaluating the effect of IFRS 15 on the Group and do not expect any significant impact on adoption of this standard

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3 NET INVESTMENT INCOME

Net investment income for the year from life and medical insurance segments, analysed by category, is as follows:

	Debt securities (loans) KD	*Investments carried at fair value through income statement KD*	*Time and call deposits KD*	*2015 Total KD*	*2014 Total KD*
Realised gain	-	53,346	-	53,346	-
Unrealised loss	-	(183,288)	-	(183,288)	(200,287)
Dividend income	-	29,436	-	29,436	26,201
Interest income	324,463	-	18,777	343,240	293,258
Gain (loss) on financial instruments	324,463	(100,506)	18,777	242,734	119,172
Other investment income	-	49,567	-	49,567	107,029
Total investment income (loss)	324,463	(50,939)	18,777	292,301	226,201
Financial charges and other expenses	-	(3,355)	-	(3,355)	(3,543)
Total investment expense	-	(3,355)	-	(3,355)	(3,543)
Net investment income (loss)	324,463	(54,294)	18,777	288,946	222,658

3 NET INVESTMENT INCOME (continued)

Net investment income for the year general risk insurance segment, analysed by category, is as follows:

	Investments held to maturity KD	*Investments available for sale KD*	*Investments carried at fair value through income statement KD*	*Property held for sale KD*	*Time and call deposits KD*	*Other investment income KD*	*2015 Total KD*	*2014 Total KD*
Realised (loss) gain	-	(303,666)	254,463	-	-	-	(49,203)	4,688,968
Unrealised loss	-	-	(1,007,201)	-	-	-	(1,007,201)	(147,911)
Dividends income	-	1,694,278	195,260	-	-	-	1,889,538	1,450,727
Interest income	2,549,043	-	-	-	2,058,488	1,477,163	6,084,694	4,637,484
Gain (loss) on financial instruments	2,549,043	1,390,612	(557,478)	-	2,058,488	1,477,163	6,917,828	10,629,268
Gain arising on reclassification of investment available for sale (Note 6)	-	-	-	-	-	-	-	127,614
Rental income	-	-	-	22,161	-	-	22,161	20,657
Other investment income	-	-	-	-	-	345,504	345,504	350,182
Total investment income	2,549,043	1,390,612	(557,478)	22,161	2,058,488	1,822,667	7,285,493	11,127,721
Financial charges	(654,192)	-	(2,478)	-	(731)	-	(657,401)	(489,392)
Impairment loss (Note 8)	-	(495,162)	-	-	-	-	(495,162)	(234,570)
Other investment expenses	(282,237)	(279,488)	-	-	-	(220,264)	(781,989)	(1,149,174)
Total investment expense	(936,429)	(774,650)	(2,478)	-	(731)	(220,264)	(1,934,552)	(1,873,136)
Net investment income (loss)	1,612,614	615,962	(559,956)	22,161	2,057,757	1,602,403	5,350,941	9,254,585

4 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Parent Company by the weighted average number of shares, less weighted average number of treasury shares outstanding during the year. Diluted earnings per share is calculated by dividing profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares, less weighted average number of treasury shares, outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares which is reserved from employees' share option scheme.

There are no dilutive potential ordinary shares. The information necessary to calculate basic and diluted earnings per share based on weighted average number of share outstanding during the year is as follow:

	2015	*2014*
Profit for the year attributable to equity holders of the Parent Company (KD)	**14,089,207**	12,001,391
	Shares	*Shares*
Number of shares outstanding at the beginning of the year	**187,039,125**	187,039,125
Weighted average number of treasury shares	**(7,795,201)**	(6,357,553)
Weighted average number of shares outstanding during the year	**179,243,924**	180,681,572
Basic and diluted earnings per share	**78.60 fils**	66.42 fils

5 PROPERTY AND EQUIPMENT

	Land KD	*Buildings KD*	*Leasehold improvements KD*	*Computers KD*	*Furniture and fixtures KD*	*Motor vehicles KD*	*Total KD*
Cost:							
At 1 January 2015	7,257,097	9,665,446	1,480,372	5,292,191	3,117,497	675,571	27,488,174
Additions	242,014	172,544	107,800	480,366	233,000	68,303	1,304,027
Arising on acquisition of subsidiary	355,462	614,661	343,538	121,756	515,307	-	1,950,724
Disposals	(22,426)	(5,800)	(67,875)	(7,840)	(9,261)	(85,678)	(198,880)
Foreign currency translation adjustment	(15,947)	70,887	(37,452)	(7,025)	8,790	(3,423)	15,830
At 31 December 2015	7,816,200	10,517,738	1,826,383	5,879,448	3,865,333	654,773	30,559,875
Accumulated depreciation:							
At 1 January 2015	-	3,888,738	739,737	4,302,891	2,515,365	359,233	11,805,964
Charge for the year	-	183,795	190,284	424,551	225,512	110,622	1,134,764
Arising on acquisition of subsidiary	-	273,341	244,336	32,961	366,505	-	917,143
On disposals	-	(5,800)	(10,182)	(6,553)	(2,469)	(63,164)	(88,168)
Foreign currency translation adjustment	-	41,384	(5,693)	15,676	11,641	(3,670)	59,338
At 31 December 2015	-	4,381,458	1,158,482	4,769,526	3,116,554	403,021	13,829,041
Net carrying amount:							
At 31 December 2015	7,816,200	6,136,280	667,901	1,109,922	748,779	251,752	16,730,834

Part of the Parent Company's premises with net carrying amount of KD 1,260,000 (2014: KD 1,260,000) have been mortgaged with the Ministry of Commerce and Industry.

5 PROPERTY AND EQUIPMENT (continued)

	Land *KD*	*Buildings* *KD*	*Leasehold improvements* *KD*	*Computers* *KD*	*Furniture and fixtures* *KD*	*Motor vehicles* *KD*	*Total* *KD*
Cost:							
At 1 January 2014	4,871,092	9,383,273	1,207,573	4,853,992	3,108,509	611,004	24,035,443
Additions	110,261	10,132	605,606	2,039,813	1,554,790	157,543	4,478,145
Fair value adjustment	2,220,000	339,760	-	-	-	-	2,559,760
Disposals	-	(56,748)	(333,262)	(1,699,555)	(1,490,467)	(96,009)	(3,676,041)
Foreign currency translation adjustment	55,744	(10,971)	455	97,941	(55,335)	3,033	90,867
At 31 December 2014	7,257,097	9,665,446	1,480,372	5,292,191	3,117,497	675,571	27,488,174
Accumulated depreciation:							
At 1 January 2014	-	3,601,110	900,719	3,825,074	2,547,575	278,782	11,153,260
Charge for the year	-	241,407	174,893	2,062,151	1,469,669	167,013	4,115,133
On disposals	-	-	(331,277)	(1,661,050)	(1,452,474)	(86,681)	(3,531,482)
Foreign currency translation adjustment	-	46,221	(4,598)	76,716	(49,405)	119	69,053
At 31 December 2014	-	3,888,738	739,737	4,302,891	2,515,365	359,233	11,805,964
Net carrying amount:							
At 31 December 2014	7,257,097	5,776,708	740,635	989,300	602,132	316,338	15,682,210

6 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Country of incorporation	*Percentage of ownership*		*Principal activity*
		2015	*2014*	
Al-Buruj Co-Operative Insurance Company (A Saudi Public Stock Company) ("Al-Buruj")*	Kingdom of Saudi Arabia	**27%**	27%	Insurance
Al-Argan International Real Estate Company K.S.C.P.	State of Kuwait	**20%**	20%	Real Estate
Alliance Insurance Company P.S.C.	United Arab Emirates	**20%**	20%	Insurance
Egyptian Takaful Property and Liability S.A.E.	Egypt	**25%**	25%	Insurance
United Networks Company K.S.C. (Closed)	State of Kuwait	**17%**	17%	Communication & Broadcasting
Algeria Gulf Life Insurance Company ("AGLIC") **	Algeria	**42.5%**	-	Insurance
Takaful International Insurance Company ***	Bahrain	**41%**	-	Takaful Insurance

* During the year the Group participated in the rights issue of its associate Al Buruj with an amount equivalent to KD 2,624,021.

** During the year the Group established Algeria Gulf Life Insurance Company ("AGLIC"), with an investment of KD 1,300,500 representing equity interest of 42.50%. The investment in AGLIC has been classified as investment in an associate and accounted for under the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures.*

*** During the year the Group's subsidiary, Bahrain Kuwaiti Insurance Company B.S.C., acquired a 41% stake in Takaful International Insurance Company with an investment equivalent to KD 1,982,689. The investment has been classified as investment in an associate and accounted for under the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures.*

Carrying amount of investment in associates

The movement of the investment in associates during the year is as follows:

	2015 KD	*2014 KD*
Carrying value at 1 January	**28,142,091**	24,242,332
Additions	**5,906,337**	719,417
Dividends received	**(1,434,580)**	(933,958)
Share of results of associates	**6,484,765**	2,163,938
Transfers from investments available for sale	**-**	1,138,750
Gain arising on reclassification of investment available for sale (Note 3)	**-**	127,614
Share of other comprehensive income of associates	**57,043**	207,384
Foreign currency translation adjustment	**478,014**	476,614
Carrying value at 31 December	**39,633,670**	28,142,091

6 INVESTMENT IN ASSOCIATES (continued)

	2015 *KD*	*2014* *KD*
Share of associates' financial position:		
Assets	**70,801,410**	59,649,720
Liabilities	**(33,767,446)**	(34,107,335)
	37,033,964	25,542,385
Goodwill	**2,599,706**	2,599,706
Net assets	**39,633,670**	28,142,091
Share of associates' revenues and net profit (loss):		
Revenues	**10,518,836**	2,741,277
Net profit	**6,484,765**	2,163,938

Investment in associates include quoted associate with a carrying value of KD 34,988,496 (2014: KD 25,054,771) having a market value of KD 27,796,948 (2014: KD 24,662,274).

7 GOODWILL

Goodwill has been allocated to five individual cash-generating units. The carrying amount of goodwill allocated to each of the cash-generating units is shown below:

	2015 *KD*	*2014* *KD*
Arab Misr Insurance Group Company S.A.E.	**308,340**	308,340
Bahrain Kuwaiti Insurance Company B.S.C.	**2,625,935**	2,625,935
Arab Orient Insurance Company J.S.C.	**5,292,099**	5,292,099
Dar Al-Salam Insurance Company	**604,073**	604,073
Egypt Life Takaful Insurance Company S.A.E.	**167,904**	167,904
L'Algerienne Des Assurance (2a)	**3,932,981**	-
	12,931,332	8,998,351

Movement on goodwill during the year is as follows:

	2015 *KD*	*2014* *KD*
At I January	**8,998,351**	8,998,351
Provisional goodwill on acquisition of a subsidiary (Note 27)	**3,932,981**	-
At 31 December	**12,931,332**	8,998,351

The recoverable amount of each segment unit has been determined based on a value in use calculation, using cash flow projections approved by senior management covering a five-year period. The average discount rate used was 15% (2014: 15%) applied to cash flow projections over a five years period. Cash flows beyond the five year period are extrapolated using a projected growth rate of 3% (2014: 3%).

The calculation of value in use for each segment unit is sensitive to the following assumptions:

- Interest margins;
- Discount rates;
- Market share assumptions
- Projected growth rates used to extrapolate cash flows beyond the budget period; and
- Inflation rates.

7 GOODWILL (continued)

Interest margins
Interest margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated market conditions.

Discount rates
Discount rates reflect management's estimate of return on capital employed (ROCE) required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using the Weighted Average Cost of Capital (WACC).

Market share assumptions
These assumptions are important because, as well as using industry data for growth rates, management assess how the unit's relative position to its competitors might change over the budget period.

Projected growth rates and local inflation rates
Assumptions are based on published industry research.

Inflation rates
Estimates are obtained from published indices for countries where the Group operates.

Sensitivity to changes in assumptions
With regard to the assessment of value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

8 INVESTMENTS AVAILABLE FOR SALE

	2015	*2014*
	KD	*KD*
Quoted equity securities	**17,525,235**	21,697,303
Unquoted equity securities	**4,116,897**	13,310,002
Unquoted managed funds	**164,466**	163,377
	21,806,598	35,170,682

Included in investments available for sale are unquoted equity securities with a value of KD 97,710 (31 December 2014: KD 94,756) which are carried at cost as the fair value could not be reliably measured. Information for such investments is usually restricted to periodic investment performance reports from the investment managers. Management has performed a review of its unquoted investments to assess whether impairment has occurred in the value of these investments. Based on the latest financial information available in respect of these investments and their operations, management is of the view that the value of these investments is not impaired.

Impairment loss of KD 495,162 (31 December 2014: KD 118,015) has been made against quoted securities on which there has been a significant or prolonged decline in fair value below cost.

9 INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

	2015	*2014*
	KD	*KD*
Held for trading:		
Quoted securities	**11,538,502**	5,008,511
Designated upon initial recognition:		
Managed funds of quoted securities	**14,326,324**	14,845,913
	25,864,826	19,854,424

10 PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2015 *KD*	*2014* *KD*
Policyholders' accounts receivable		
Premiums receivable	**59,331,047**	45,649,423
Insured debts receivable	**318,402**	414,960
	59,649,449	46,064,383
Provision for doubtful debts	**(6,592,181)**	(5,417,592)
Net policyholders' accounts receivable	**53,057,268**	40,646,791

	2015 *KD*	*2014* *KD*
Insurance and reinsurers' accounts receivable		
Reinsures receivable	**9,919,077**	7,167,192
Provision for doubtful debts	**(770,421)**	(649,782)
Net insurance and reinsurers' accounts receivable	**9,148,656**	6,517,410
Total premiums and insurance balances receivable	**62,205,924**	47,164,201

The Group's terms of business require amounts to be paid within the underwriting year and as such these receivables are remeasured at cost. Arrangements with the reinsurance companies normally require settlement on a quarterly basis.

Movements in the allowance for impairment of policyholders' accounts receivable were as follows:

	2015 *KD*	*2014* *KD*
At 1 January	**5,417,592**	5,306,913
Charge for the year	**1,186,147**	253,088
Amounts written off	**(11,558)**	(142,409)
At 31 December	**6,592,181**	5,417,592

Movements in the allowance for insurance and reinsurers' accounts receivable were as follows:

	2015 *KD*	*2014* *KD*
At 1 January	**649,782**	582,866
Charge for the year	**120,639**	66,916
At 31 December	**770,421**	649,782

11 LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS

31 December 2015	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Life KD*	*Medical KD*	*Total KD*
OUTSTANDING CLAIMS RESERVE:								
Gross balance at beginning of the year	3,229,442	23,558,629	18,984,155	15,945,136	7,749,533	18,114,103	10,863,925	98,444,923
Reinsurance recoverable on outstanding claims	(2,634,926)	(4,715,919)	(17,362,174)	(14,543,440)	(3,440,981)	(2,975,734)	(4,467,136)	(50,140,310)
Net balance at beginning of the year	594,516	18,842,710	1,621,981	1,401,696	4,308,552	15,138,369	6,396,789	48,304,613
Foreign currency translation difference	162,885	322,404	105,596	151,087	482,352	(13,487)	56,046	1,266,883
Arising on acquisition of subsidiary	10,801	1,582,137	317,256	62,348	3,185	2,781	-	1,978,508
Incurred during the year (net)	434,540	29,496,822	1,389,538	1,071,979	1,100,042	13,218,333	25,559,608	72,270,862
Paid during the year (net)	(432,886)	(28,340,009)	(1,476,208)	(616,446)	(1,180,150)	(12,486,292)	(24,667,666)	(69,199,657)
NET BALANCE AT END OF THE YEAR	769,856	21,904,064	1,958,163	2,070,664	4,713,981	15,859,704	7,344,777	54,621,209
Represented in:								
Gross balance at end of the year	3,575,053	26,946,615	10,982,453	15,987,864	6,823,676	19,258,042	13,886,407	97,460,110
Reinsurance recoverable	(2,805,197)	(5,042,551)	(9,024,290)	(13,917,200)	(2,109,695)	(3,398,338)	(6,541,630)	(42,838,901)
NET BALANCE AT END OF THE YEAR	769,856	21,904,064	1,958,163	2,070,664	4,713,981	15,859,704	7,344,777	54,621,209
Unearned premiums reserve (net)	487,409	18,392,033	1,527,886	973,837	2,524,789	88,995	10,467,913	34,462,862
Life mathematical reserve (net)	-	-	-	-	-	19,789,672	2,154,270	21,943,942
Incurred but not reported reserve (net)	100,000	1,100,000	150,000	200,000	100,000	-	-	1,650,000

There are no material claims for which the amounts and timing of claims are not settled within one year of the consolidated statement of financial position date.

11 LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS (continued)

31 December 2014	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Life KD*	*Medical KD*	*Total KD*
OUTSTANDING CLAIMS RESERVE:								
Gross balance at beginning of the year	4,079,991	23,108,067	18,266,892	12,255,855	7,153,175	13,320,461	9,325,656	87,510,097
Reinsurance recoverable on outstanding claims	(3,622,801)	(6,371,140)	(16,540,898)	(11,228,875)	(2,771,447)	(2,791,962)	(4,026,406)	(47,353,529)
Net balance at beginning of the year	457,190	16,736,927	1,725,994	1,026,980	4,381,728	10,528,499	5,299,250	40,156,568
Foreign currency translation difference	(3,205)	(516,764)	(23,724)	85,250	(62,800)	13,209	(18,658)	(526,692)
Incurred during the year (net)	323,451	25,708,693	1,726,223	807,938	1,652,932	13,138,609	25,120,531	68,478,377
Paid during the year (net)	(182,920)	(23,086,146)	(1,806,512)	(518,472)	(1,663,308)	(8,541,948)	(24,004,334)	(59,803,640)
NET BALANCE AT END OF THE YEAR	594,516	18,842,710	1,621,981	1,401,696	4,308,552	15,138,369	6,396,789	48,304,613
Represented in:								
Gross balance at end of the year	3,229,442	23,558,629	18,984,155	15,945,136	7,749,533	18,114,103	10,863,925	98,444,923
Reinsurance recoverable	(2,634,926)	(4,715,919)	(17,362,174)	(14,543,440)	(3,440,981)	(2,975,734)	(4,467,136)	(50,140,310)
NET BALANCE AT END OF THE YEAR	594,516	18,842,710	1,621,981	1,401,696	4,308,552	15,138,369	6,396,789	48,304,613
Unearned premiums reserve (net)	502,672	16,762,122	1,226,883	988,694	2,552,624	102,400	10,518,705	32,654,100
Life mathematical reserve (net)	-	-	-	-	-	19,821,545	1,876,100	21,697,645
Incurred but not reported reserve (net)	248,295	2,373,930	395,169	415,776	687,586	-	5,540	4,126,296

12 OTHER ASSETS

	2015 KD	*2014 KD*
Accrued interest income	**760,631**	817,802
Inward reinsurance retentions	**152,464**	43,325
Refundable claims	**250,459**	187,426
Amounts due from related parties (Note 26)	**1,402,689**	1,402,689
Prepaid expenses and others	**16,404,871**	10,316,399
	18,971,114	12,767,641

13 TIME DEPOSITS

Time deposits of KD 34,660,920 (2014: KD 23,565,538) are placed with local and foreign banks and carry an average effective interest rate of 4% (2014: 4%) per annum. Time deposits mature within one year.

14 CASH AND CASH EQUIVALENTS

	2015 KD	*2014 KD*
Cash on hand and at banks	**10,025,885**	15,499,503
Short term deposits and call accounts	**33,946,708**	57,676,627
Cash and cash equivalents in the consolidated statement of financial position	**43,972,593**	73,176,130
Bank overdrafts	**(26,381,565)**	(21,532,000)
Cash and cash equivalents in the consolidated statement of cash flows	**17,591,028**	51,644,130

15 INSURANCE PAYABLE

	2015 KD	*2014 KD*
Policyholders and agencies payables	**16,405,832**	13,119,709
Insurance and reinsurance payables	**31,574,223**	30,984,002
Amount due to policyholders of Takaful unit (Note 28)	**1,200,411**	278,355
	49,180,466	44,382,066

16 OTHER LIABILITIES

	2015 KD	*2014 KD*
Accrued expenses and others	**14,720,190**	13,853,875
Reserve for reinsurance premiums	**977,650**	1,353,317
KFAS, NLST and Zakat payables	**677,427**	352,762
Provision for end of service indemnity	**5,858,892**	6,047,459
Proposed directors' fees	**155,000**	155,000
	22,389,159	21,762,413

17 SHARE CAPITAL

Authorised, issued and fully paid capital consists of 187,039,125 shares of 100 fils each (2014: 187,039,125 shares) which was fully paid in cash.

Cash dividends, bonus shares and directors' fees
The Ordinary Annual General Assembly of the Parent Company's shareholders held on 31 March 2015 approved the payment of cash dividends amounting to KD 5,915,179 for the year ended 31 December 2014 (2013: KD 5,447,725), which represents 33% of paid up share capital (2013: 30%).

On 11 February 2016, the Board of Directors of the Parent Company have proposed cash dividend of 40 fils per share (31 December 2014: 33 fils). This proposal is subject to the approval by Annual General Meeting of the shareholders of the Parent Company.

Directors' fees of KD 155,000 for the year ended 31 December 2015 is subject to approval by the Ordinary Annual General Assembly of the Parent Company's shareholders. Directors' fees of KD 155,000 for the year ended 31 December 2014 was approved by the Ordinary Annual General Assembly of the Parent Company's shareholders held on 31 March 2015.

18 TREASURY SHARES

	2015	*2014*
Number of shares (share)	**7,940,828**	7,661,966
Percentage of issued shares (%)	**4.245%**	4.096%
Market value (KD)	**5,955,621**	4,290,701

19 STATUTORY RESERVE

As required by the Companies' Law and the Parent Company's Articles of Association, 10% of profit for the year attributable to the equity holders of the Parent Company before contribution to KFAS, NLST, Zakat tax and directors' fees has been transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers since the reserve exceeds 50% of the share capital.

There are no restrictions on distribution of amounts in excess of 50% of the share capital. Distribution of the remaining balance of the reserve is limited to the amount required to enable the payment of a dividend of 5% of the share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of this amount.

20 VOLUNTARY RESERVE

In accordance with the Parent Company's Articles of Association, 10% of the profit for the year attributable to the equity holders of the Parent Company before contribution to KFAS, NLST, Zakat tax and directors' fees has been transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of shareholders' General Assembly upon a recommendation by the board of directors. Voluntary reserve is available for distribution.

21 SEGMENT INFORMATION

a) Segmental consolidated statement of income

The Group operates in two segments, general risk insurance and life and medical insurance; there are no inter-segment transactions. Following are the details of those two primary segments:

- The general risk insurance segment offers general insurance to individuals and businesses. General insurance products offered include marine and aviation, motor vehicles, property, engineering and general accidents. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident.
- The life and medical insurance segment offers savings, protection products and other long-term contracts. It comprises a wide range of whole life insurance, term insurance, unitized pensions (Misk individual policies), pure endowment pensions, group life and disability, credit life (banks), group medical including third party administration (TPA), preferred global health and Balsam products. Revenue from this segment is derived primarily from insurance premium, fees, commission income, investment income and fair value gains and losses on investments.

Unallocated category comprises of assets and liabilities' relating to the Group's investing activities which do not fall under the Group's primary segments.

Executive Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment result and is measured consistently with the results in the consolidated financial statements.

21 SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income (continued)

	General risk insurance						Life and medical insurance			
Year ended 31 December 2015:	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Total general risk insurance KD*	*Life KD*	*Medical KD*	*Total life and medical insurance KD*	*Total KD*
Revenue:										
Premiums written	8,787,667	42,624,770	24,779,026	13,818,369	12,809,921	102,819,753	19,786,622	63,309,938	83,096,560	185,916,313
Reinsurance premiums ceded	(6,891,008)	(3,267,990)	(22,093,108)	(11,797,614)	(8,286,040)	(52,335,760)	(3,386,343)	(31,925,889)	(35,312,232)	(87,647,992)
Net premiums written	1,896,659	39,356,780	2,685,918	2,020,755	4,523,881	50,483,993	16,400,279	31,384,049	47,784,328	98,268,321
Movement in unearned premiums	51,979	1,224,432	192,792	(61,487)	32,506	1,440,222	3,949	69,020	72,969	1,513,191
Movement in life mathematical reserve	-	-	-	-	-	-	41,103	(278,170)	(237,067)	(237,067)
Net premiums earned	1,948,638	40,581,212	2,878,710	1,959,268	4,556,387	51,924,215	16,445,331	31,174,899	47,620,230	99,544,445
Commission received on ceded reinsurance	1,991,022	473,298	3,348,703	2,086,259	1,679,901	9,579,183	1,104,882	2,873,739	3,978,621	13,557,804
Policy issuance fees	226,612	1,899,356	108,894	49,057	168,413	2,452,332	12,706	981,437	994,143	3,446,475
Net investment income from designated life insurance	-	-	-	-	-	-	275,533	13,413	288,946	288,946
Total revenue	4,166,272	42,953,866	6,336,307	4,094,584	6,404,701	63,955,730	17,838,452	35,043,488	52,881,940	116,837,670
Expenses:										
Claims incurred	434,540	29,496,822	1,389,538	1,071,979	1,100,042	33,492,921	13,218,333	25,559,608	38,777,941	72,270,862
Commission and discounts	826,615	5,151,513	1,769,713	900,541	1,140,808	9,789,190	412,467	900,496	1,312,963	11,102,153
Movement in incurred but not reported Reserve	39	6,371	514	(178)	497	7,243	-	(2,610)	(2,610)	4,633
Maturity and cancellations of life insurance Policies	-	-	-	-	-	-	2,363,716	-	2,363,716	2,363,716
General and administrative expenses	1,083,955	6,394,358	2,260,346	1,382,019	1,223,772	12,344,450	1,015,233	5,424,052	6,439,285	18,783,735
Total expenses	2,345,149	41,049,064	5,420,111	3,354,361	3,465,119	55,633,804	17,009,749	31,881,546	48,891,295	104,525,099
Net underwriting income	1,821,123	1,904,802	916,196	740,223	2,939,582	8,321,926	828,703	3,161,942	3,990,645	12,312,571
Net investment income						5,350,941			-	5,350,941
Share of results from associates						6,484,765			-	6,484,765
Net sundry income						101,900			362,863	464,763
Depreciation						(635,213)			(499,551)	(1,134,764)
Unallocated general and administrative expenses						(4,823,709)			(1,758,495)	(6,582,204)
Profit for the year before contribution to KFAS, NLST, Zakat tax and Directors' fees						14,800,610			2,095,462	16,896,072

21 SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income (continued)

	General risk insurance						*Life and medical insurance*			
Year ended 31 December 2014:	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Total general risk insurance KD*	*Life KD*	*Medical KD*	*Total life and medical insurance KD*	*Total KD*
Revenue:										
Premiums written	8,491,058	37,871,945	24,210,975	11,855,667	12,035,773	94,465,418	18,917,511	60,219,426	79,136,937	173,602,355
Reinsurance premiums ceded	(6,694,146)	(3,354,404)	(21,722,335)	(10,307,770)	(7,164,307)	(49,242,962)	(3,032,127)	(30,390,716)	(33,422,843)	(82,665,805)
Net premiums written	1,796,912	34,517,541	2,488,640	1,547,897	4,871,466	45,222,456	15,885,384	29,828,710	45,714,094	90,936,550
Movement in unearned premiums	(8,383)	(673,928)	512	(164,468)	181,324	(664,943)	(12,108)	(242,844)	(254,952)	(919,895)
Movement in life mathematical reserve	-	-	-	-	-	-	95,621	(243,651)	(148,030)	(148,030)
Net premiums earned	1,788,529	33,843,613	2,489,152	1,383,429	5,052,790	44,557,513	15,968,897	29,342,215	45,311,112	89,868,625
Commission received on ceded reinsurance	2,010,153	483,150	3,379,187	1,752,486	1,309,642	8,934,618	832,364	2,133,847	2,966,211	11,900,829
Policy issuance fees	204,311	1,758,714	86,471	87,815	125,371	2,262,682	20,889	991,216	1,012,105	3,274,787
Net investment income from designated life Insurance	-	-	-	-	-	-	222,658	-	222,658	222,658
Total revenue	4,002,993	36,085,477	5,954,810	3,223,730	6,487,803	55,754,813	17,044,808	32,467,278	49,512,086	105,266,899
Expenses:										
Claims incurred	323,451	25,708,693	1,726,223	807,938	1,652,932	30,219,237	13,138,609	25,120,531	38,259,140	68,478,377
Commission and discounts	790,298	4,852,867	1,732,674	780,896	1,084,404	9,241,139	453,740	842,981	1,296,721	10,537,860
Movement in incurred but not reported reserve	(199,269)	550,004	(27,184)	38,636	(133,934)	228,253	-	(8,648)	(8,648)	219,605
Maturity and cancellations of life insurance policies	-	-	-	-	-	-	1,919,210	-	1,919,210	1,919,210
General and administrative expenses	1,072,403	4,803,207	2,032,648	981,804	1,375,353	10,265,415	1,180,553	4,120,855	5,301,408	15,566,823
Total expenses	1,986,883	35,914,771	5,464,361	2,609,274	3,978,755	49,954,044	16,692,112	30,075,719	46,767,831	96,721,875
Net underwriting income	2,016,110	170,706	490,449	614,456	2,509,048	5,800,769	352,696	2,391,559	2,744,255	8,545,024
Net investment income						9,254,585				9,254,585
Share of results from associates						2,163,938				2,163,938
Net sundry income						390,342			5,568	395,910
Depreciation						(3,644,816)			(470,317)	(4,115,133)
Unallocated general and administrative expenses						(739,937)			(1,139,293)	(1,879,230)
Profit for the year before contribution to KFAS, NLST, Zakat tax and Directors' fees						13,224,881			1,140,213	14,365,094

21 SEGMENT INFORMATION (continued)

b) Segment consolidated statement of financial position

31 December 2015	***General risk insurance KD***	***Life and medical insurance KD***	***Un-allocated KD***	***Total KD***
Total assets	**221,349,921**	**85,780,172**	**61,294,364**	**368,424,457**
Total liabilities	**158,288,901**	**68,629,421**	**30,496,213**	**257,414,535**

31 December 2014	*General risk insurance KD*	*Life and medical insurance KD*	*Un-allocated KD*	*Total KD*
Total assets	200,901,310	91,710,156	54,607,865	347,219,331
Total liabilities	139,265,117	74,980,649	31,115,121	245,360,887

Balances relating to investments activities are reported within unallocated category since these activities does not relate to any of the primary two segments.

21 SEGMENT INFORMATION (continued)

c) Geographic information

	Kuwait		*GCC Countries*		*Other ME Countries*		*Total*	
	2015	*2014*	**2015**	*2014*	**2015**	*2014*	**2015**	*2014*
	KD	*KD*	**KD**	*KD*	**KD**	*KD*	**KD**	*KD*
Segment revenue	**64,275,468**	59,572,309	**7,547,150**	7,363,677	**45,015,052**	38,330,913	**116,837,670**	105,266,899
Segment results (net underwriting income)	**4,838,703**	3,790,563	**1,340,471**	1,232,405	**6,133,397**	3,522,056	**12,312,571**	8,545,024
Profit for the year attributable to equity holders of the Parent Company	**9,593,814**	7,751,729	**561,416**	1,138,366	**3,933,977**	3,111,296	**14,089,207**	12,001,391
Total assets	**222,168,713**	215,427,749	**32,135,145**	34,879,176	**114,120,599**	96,912,406	**368,424,457**	347,219,331
Total liabilities	**169,309,164**	160,907,055	**18,330,903**	19,854,290	**69,774,468**	64,599,542	**257,414,535**	245,360,887

22 STATUTORY GUARANTEES

The following amounts are held in Kuwait as security for the order of the Minister of Commerce and Industry in accordance with the Ministerial Decree No. 27 of 1966 and its amendments:

	2015 *KD*	*2014* *KD*
Current accounts and deposits at banks	**19,826,002**	20,996,188
Loans secured by life insurance policies	**1,263,444**	1,182,471
	21,089,446	22,178,659

Foreign deposits of KD 25,359,723 (2014: KD 25,796,759) held outside the State of Kuwait as security for the subsidiary companies' activities.

23 CONTINGENT LIABILITIES

At the reporting date, the Group is contingently liable in respect of letters of guarantee and other guarantees amounting to KD 9,556,897 (2014: KD 6,986,076).

The Group operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

24 COMMITMENTS

The Group does not have future commitments with respect to purchase financial instruments. (2014: Nil).

25 RISK MANAGEMENT

(a) Governance framework

The Group's risk and financial management objective is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Risk management also protects policyholders fund by ensuring that all liabilities towards the policyholders are fulfilled in duly matter. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group established a risk management function with clear terms of reference from the Parent Company's board of directors, its committees and the associated executive management committees. The risk management function will support the Parent Company as well as the subsidiaries in all risk management practices. This supplemented with a clear organisational structure that document delegated authorities and responsibilities from the board of directors to executive and senior managers.

25 RISK MANAGEMENT (continued)

(b) Regulatory framework

Law No. 24 of 1961, Law No.13 of 1962, which were subsequently amended by decrees No.510 and 511 of 2011 and decrees No. 578 and 579 of 2013, and the rules and regulations issued by the Ministry of Commerce provide the regulatory framework for the insurance industry in Kuwait. All insurance companies operating in Kuwait are required to follow these rules and regulations.

The following are the key regulations governing the operation of the Group:

- For the life and capital insurance contracts issued in Kuwait, the full mathematical reserves are to be retained in Kuwait.
- For marine insurance contracts, at least 15% of the premiums collected in the previous year are to be retained in Kuwait.
- For all other types of insurance, at least 30% of the premiums collected in the previous year are to be retained in Kuwait.
- The funds retained in Kuwait should be invested as follows:
  - A minimum of 40% of the funds are to be in the form of cash deposits in a bank operating in Kuwait
  - A maximum of 25% may be invested in foreign securities (foreign government bonds or foreign securities - bonds and shareholding companies)
  - A maximum of 30% should be invested in Kuwaiti companies' shares or bonds
  - A maximum of 15% should be in a current account with a bank operating in Kuwait.

The residual value may be invested in bonds issued or guaranteed by the Government of Kuwait, properties based in Kuwait or loans secured by first mortgage of properties based in Kuwait.

The Group's internal audit and quality control department is responsible for monitoring compliance with the above regulations and has delegated authorities and responsibilities from the board of directors to ensure compliance.

(c) Capital management objectives, policies and approach

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position.

Capital management objectives

The capital management objectives are:

- To maintain the required level of financial stability of the Group thereby providing a degree of security to policyholders
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and shareholders
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.
- To allocate capital towards the regional expansion where the ultimate goal is to spread the risk and maximize the shareholders returns through obtaining the best return on capital.

The operations of the Group are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

In reporting financial strength, capital and solvency is measured using the rules prescribed by the Ministry of Commerce (MOC). These regulatory capital tests are based upon required levels of solvency capital and a series of prudent assumptions in respect of the type of business written.

25 RISK MANAGEMENT (continued)

(c) Capital management objectives, policies and approach (continued)

Capital management policies
The Group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover the statutory requirements based on the Ministry of commerce, including any additional amounts required by the regulator as well as keeping a capital buffer above the minimum regulatory requirements, where the Group operates to maintain a high economic capital for the unforeseen risks.

Capital management approach
The Group seeks to optimize the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and secure the policyholders fund.

The Group's approach to managing capital involves managing assets, liabilities and risks in a co-ordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics through the Group's internal Capital Model. An important aspect of the Group's overall capital management process is the setting of target risk adjusted rates of return which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders.

The capital requirements are routinely forecasted on a periodic basis using the Group's internal Capital Model, and assessed against both the forecasted available capital and the expected internal rate of return including risk and sensitivity analyses. The process is ultimately subject to approval by the board.

(d) Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, underwriting discipline, prudent claims management practices as well as the use of reinsurance arrangements.

The majority of insurance business ceded is placed on a reinsurance program covering the Group to benefit from high commission income derived from economy of scale in a portfolio which is well balanced and to spread the risk in which the Group is exposed.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

Insurance risk is divided into risk of life insurance contracts and risk of non-life insurance contracts as follows:

(1) Life insurance contracts

Life insurance contracts offered by the Group include whole life insurance, term insurance, unitized pensions (Misk individual policies), pure endowment pensions, group life and disability, credit life (banks), group medical including third party administration (TPA), preferred global health and Balsam.

Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability. Few contracts have a surrender value.

Pensions are contracts when retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the higher value of the fund accumulated or sum assured. Most contracts give the policyholder the option at retirement to take a cash sum at guaranteed conversion rates allowing the policyholders the option of taking the more valuable of the two. Under unitized pensions, a percentage of the premium is applied towards the purchase of accumulation units in one or more of the linked funds. Provision of additional death benefits may be provided by cancellation of units or through supplementary term assurance contracts. Certain personal pension plans also include contribution protection benefits that provide for payment of contributions on behalf of policyholders in periods of total disability. For contracts with discretionary participation features (DPF), changes in the level of pensions are based on the rate of return declared annually by the insurer which is not guaranteed.

Guaranteed annuities are single premium products which pay a specified payment to the policyholder whilst they and/or their spouse are still alive. Payments are generally either fixed or increased each year at a specified rate or in line with the rate of inflation. Most contracts guarantee an income for a minimum period usually of five years, irrespective of death.

Death benefits of endowment products are subject to a guaranteed minimum amount. The maturity value usually depends on the investment performance of the underlying assets. For contracts with DPF the guaranteed minimum may be increased by the addition of bonuses. These are set at a level that takes account of expected market fluctuations, such that the cost of the guarantee is generally met by the investment performance of the assets backing the liability. However in circumstances when there has been a significant fall in investment markets, the guaranteed maturity benefits may exceed investment performance and these guarantees become valuable to the policyholder. Certain pure endowment pensions contain the option to apply the proceeds towards the purchase of an annuity earlier than the date shown on the contract or to convert the contract to 'paid up' on guaranteed terms. The majority of the mortgage endowment contracts offered by the Group have minimum maturity values subject to certain conditions being satisfied.

For healthcare contracts the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

The main risks that the Group is exposed to are as follows.
- Mortality risk - risk of loss arising due to policyholder death experience being different than expected.
- Morbidity risk - risk of loss arising due to policyholder health experience being different than expected.
- Longevity risk - risk of loss arising due to the annuitant living longer than expected.
- Investment return risk - risk of loss arising from actual returns being different than expected.
- Expense risk - risk of loss arising from expense experience being different than expected.
- Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

For contracts where death or disability are the insured risks the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

The Group reinsures its annuity contracts to mitigate its risk, the reinsurers participating in the treaty are highly rated and the risk is spread with a number of reinsurers to minimize the risk of default.

The insurance risks described above are also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely or to exercise guaranteed annuity options. As a result, the amount of insurance risk is also subject to contract holder behaviour.

The table below sets out the concentration of life insurance and investment contracts by type of contract.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

	2015			*2014*		
Type of contract	***Gross liabilities KD***	***Reinsurers' share of liabilities KD***	***Net liabilities KD***	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Whole life insurance	**79,227**	**60,148**	**19,079**	120,061	68,836	51,225
Term insurance	**32,334**	**2,604**	**29,730**	216,869	4,057	212,812
Pure endowment	**1,495,387**	**-**	**1,495,387**	1,589,774	-	1,589,774
Group life and disability	**774,227**	**291,733**	**482,494**	539,205	260,433	278,772
Group medical including TPA	**2,072,894**	**-**	**2,072,894**	1,772,904	495	1,772,409
Credit life (Banks)	**3,233,029**	**2,221,512**	**1,011,517**	4,114,302	2,741,511	1,372,791
Preferred global health	**54,019**	**-**	**54,019**	54,825	-	54,825
Balsam	**91,188**	**63,832**	**27,356**	83,400	34,461	48,939
Misk individual policies	**110,000**	**-**	**110,000**	300,000	-	300,000
Total life insurance contract	**7,942,305**	**2,639,829**	**5,302,476**	8,791,340	3,109,793	5,681,547
Unitised pensions (Misk individual policies)	**16,641,466**	**-**	**16,641,466**	16,016,098	-	16,016,098
Total investments contracts	**16,641,466**	**-**	**16,641,466**	16,016,098	-	16,016,098
Total life insurance and investment contracts	**24,583,771**	**2,639,829**	**21,943,942**	24,807,438	3,109,793	21,697,645
Other life insurance contract liabilities	**43,084,415**	**9,939,968**	**33,144,447**	28,983,566	7,442,869	21,540,697

The geographical concentration of the Group's life insurance and investment contracts with Discretionary Participation Feature (DPF) liabilities is noted below. The disclosure is based on the countries where the business is written.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

	2015			2014		
	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD
Kuwait	7,942,305	2,639,829	5,302,476	8,791,340	3,109,793	5,681,547

Investment contracts

	2015			2014		
	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD
Kuwait	5,615,844	-	5,615,844	5,641,392	-	5,641,392
Europe	11,025,622	-	11,025,622	10,374,706	-	10,374,706
Total	16,641,466	-	16,641,466	16,016,098	-	16,016,098

The assumptions that have been provided by an external independent actuarial are as follows:

Key assumptions
Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

Life insurance contract estimates are either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included. Assumptions are made in relation to future deaths, voluntary terminations, investment returns and administration expenses. If the liabilities are not adequate, the assumptions are altered to reflect the current estimates.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

•Mortality and morbidity rates
Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides, reflecting recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by gender, underwriting class and contract type.

An increase in rates will lead to a larger number of claims and claims could occur sooner than anticipated, which will increase the expenditure and reduce profits for the shareholders.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

• ***Longevity***
Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Group's own risk experience. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by gender, underwriting class and contract type.

An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholders.

• ***Investment return***
The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

An increase in investment return would lead to a reduction in expenditure and an increase in profits for the shareholders.

• ***Expenses***
Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

• ***Lapse and surrender rates***
Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

• ***Discount rate***
Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on Central Bank of Kuwait rate, adjusted for the Group's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

The assumptions that have the maximum effect on the consolidated financial position and consolidated statement of income of the Group are listed below.

Portfolio assumptions by type of business impacting net liabilities	***Mortality and morbidity rates***		***Investment return***		***Lapse and surrender rates***		***Discount rates***		***Renewal expenses***		***Inflation rate***	
	2015	*2014*	***2015***	*2014*	***2015***	*2014*	***2015***	*2014*	***2015***	*2014*	***2015***	*2014*
Investment contracts:												
With fixed and guaranteed terms	**A49/52**	A49/52	**4%**	3%	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%
Non-guaranteed terms	**A49/52**	A49/52	**N/A**	N/A	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%
Life term assurance:												
Males	**A49/52**	A49/52	**4%**	4%	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%
Females	**A49/52 3yr**	A49/52 3yr	**4%**	4%	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

Sensitivities

The analysis below is performed, by an independent third party actuarial with experience and qualifications, for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit if significant. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist they are the main reason for the asymmetry of sensitivities.

Life insurance contracts

31 December 2015

	Change in assumptions	***Impact on gross liabilities***	***Impact on net liabilities***	***Impact on profit***
Mortality/morbidity	**Conservative**	**Reduction**	**Reduction**	**Positive**
Investment return	**-1%**	**-**	**-**	**(15,000)**
Expenses	**10%**	**230,000**	**230,000**	**(230,000)**
Discount rate	**-1%**	**90,000**	**90,000**	**(90,000)**
Longevity	**N/A**	**N/A**	**N/A**	**N/A**
Lapse and surrenders rate	**N/A**	**N/A**	**N/A**	**N/A**

31 December 2014

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	Conservative	Reduction	Reduction	Positive
Investment return	-1%	-	-	(16,000)
Expenses	10%	203,000	203,000	(203,000)
Discount rate	-1%	110,000	110,000	(110,000)
Longevity	N/A	N/A	N/A	N/A
Lapse and surrenders rate	N/A	N/A	N/A	N/A

Investment contracts

31 December 2015

	Change in assumptions	***Impact on gross liabilities***	***Impact on net liabilities***	***Impact on profit***
Mortality/morbidity	**Conservative**	**Reduction**	**Reduction**	**Positive**
Investment return	**-1%**	**-**	**-**	**(49,000)**
Expenses	**10%**	**50,000**	**50,000**	**(50,000)**
Discount rate	**-1%**	**105,000**	**105,000**	**(105,000)**
Longevity	**N/A**	**N/A**	**N/A**	**N/A**
Lapse and surrenders rate	**N/A**	**N/A**	**N/A**	**N/A**

31 December 2014

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	Conservative	Reduction	Reduction	Positive
Investment return	-1%	-	-	(45,000)
Expenses	10%	67,500	67,500	(67,500)
Discount rate	-1%	139,000	139,000	(139,000)
Longevity	N/A	N/A	N/A	N/A
Lapse and surrenders rate	N/A	N/A	N/A	N/A

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts

The Group principally issues the following types of general insurance contracts: marine and aviation, property, motor, and general accidents. Risks under non-life insurance policies usually cover twelve month duration.

For general insurance contracts the most significant risks arise from climate changes, natural disasters and terrorist activities which are only covered in fire line of business.

Insurance contracts at times also cover risk for single incidents that expose the Group to multiple insurance risks. The Group has adequately reinsured for insurance risk that may involve significant litigation.

These risks vary in relation to the type of risk insured, location of the risk insured and by industry.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.

The below risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (i.e. fire line of business). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a pre-determined maximum amount based on the Group's risk appetite as decided by management.

In additions; the Group also have an excess of loss agreements which cover both of the catastrophic and risk excess of loss.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

The table below sets out the concentration of non-life insurance contract liabilities by type of contract.

	2015			*2014*		
Concentration of insurance contract liabilities by type of contract:	***Gross liabilities KD***	***Reinsurer's share of liabilities KD***	***Net liabilities KD***	*Gross liabilities KD*	*Reinsurer's share of liabilities KD*	*Net liabilities KD*
Marine and Aviation	**5,407,415**	**4,050,150**	**1,357,265**	5,082,262	3,736,779	1,345,483
Motor vehicles	**47,207,310**	**5,811,139**	**41,396,171**	43,444,378	5,465,616	37,978,762
Property	**21,717,392**	**18,081,342**	**3,636,050**	29,734,373	26,490,340	3,244,033
Engineering	**22,892,905**	**19,648,404**	**3,244,501**	22,874,374	20,068,208	2,806,166
General Accidents	**12,425,867**	**5,087,097**	**7,338,770**	13,270,007	5,721,245	7,548,762
Total	**109,650,889**	**52,678,132**	**56,972,757**	114,405,394	61,482,188	52,923,206

The geographical concentration of the Group's non-life insurance contract liabilities is noted below. The disclosure is based on the countries where the business is written.

	2015			*2014*		
Geographical concentration of insurance contract liabilities:	***Gross liabilities KD***	***Reinsurer's share of liabilities KD***	***Net liabilities KD***	*Gross liabilities KD*	*Reinsurer's share of liabilities KD*	*Net liabilities KD*
Kuwait	**51,816,887**	**22,816,295**	**29,000,592**	55,900,739	33,513,169	22,387,570
GCC and Middle East countries	**57,834,002**	**29,861,837**	**27,972,165**	58,504,655	27,969,019	30,535,636
Total	**109,650,889**	**52,678,132**	**56,972,757**	114,405,394	61,482,188	52,923,206

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

Key assumptions
The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities
The non-life insurance claims provision is sensitive to the above key assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit before contribution to KFAS, NLST, Zakat tax and directors' fees.

31 December 2015	***Change in assumption***	***Impact on gross liabilities KD***	***Impact on net liabilities KD***	***Impact on profit KD***
Average claim cost	**±15%**	**7,866,626**	**4,090,646**	**4,090,646**
Average number of claim	**±15%**	**29,874**	**25,274**	**471,779**
Average claim settlement paid	**Reduce from 18 months to 12 months**	**5,244,417**	**2,827,400**	**230,530**

31 December 2014	*Change in assumption*	*Impact on gross liabilities KD*	*Impact on net liabilities KD*	*Impact on profit KD*
Average claim cost	±15%	6,879,992	3,577,596	3,577,596
Average number of claim	±15%	27,620	23,368	436,192
Average claim settlement paid	Reduce from 18 months to 12 months	4,586,661	2,472,787	201,617

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

Claims development table

The following tables show the estimate of cumulative incurred claims for both Non-life and Life and Medical segments, including claims notified for each successive accident year at each statement of financial position date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to the presentation currency at the spot rates of the current financial year.

31 December 2015

	2007 KD	*2008 KD*	*2009 KD*	*2010 KD*	*2011 KD*	*2012 KD*	*2013 KD*	*2014 KD*	*2015 KD*	***Total KD***
At end of accident year	**346,681,647**	**50,392,935**	**51,524,295**	**56,453,283**	**78,124,867**	**88,367,386**	**92,528,799**	**88,750,272**	**92,037,539**	
One year later	**164,695,080**	**56,859,685**	**62,274,940**	**62,730,493**	**84,303,220**	**105,856,376**	**122,997,291**	**116,511,746**	-	
Two years later	**167,616,555**	**58,440,069**	**61,699,883**	**65,213,797**	**84,813,749**	**107,674,648**	**121,043,313**	-	-	
Three years later	**161,887,924**	**55,919,644**	**59,751,989**	**63,223,120**	**84,020,624**	**107,617,050**	-	-	-	
Four years later	**160,839,184**	**54,617,117**	**58,481,591**	**63,610,147**	**84,742,547**	-	-	-	-	
Five years later	**159,202,316**	**52,626,676**	**58,208,029**	**64,308,998**	-	-	-	-	-	
Six years later	**156,639,955**	**52,490,772**	**58,870,348**	-	-	-	-	-	-	
Seven years later	**157,974,548**	**51,863,626**	-	-	-	-	-	-	-	
Eight years later	**159,132,623**	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	**159,132,623**	**51,863,626**	**58,870,348**	**64,308,998**	**84,742,547**	**107,617,050**	**121,043,313**	**116,511,746**	**92,037,539**	**856,127,790**

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

2) Non-life insurance contracts (continued)

	2007 *KD*	*2008* *KD*	*2009* *KD*	*2010* *KD*	*2011* *KD*	*2012* *KD*	*2013* *KD*	*2014* *KD*	*2015* *KD*	***Total*** ***KD***
At end of accident year	(224,364,473)	(23,049,928)	(28,437,389)	(31,673,465)	(44,916,955)	(52,954,704)	(55,297,933)	(56,275,705)	(56,418,112)	
One year later	(130,036,501)	(41,262,147)	(48,591,990)	(53,302,980)	(72,733,259)	(89,033,837)	(97,455,251)	(102,323,961)	-	
Two years later	(141,675,040)	(45,069,439)	(52,043,337)	(58,634,355)	(77,428,615)	(95,754,517)	(106,758,901)	-	-	
Three years later	(144,762,539)	(50,237,063)	(53,529,541)	(59,228,139)	(80,139,899)	(101,644,006)	-	-	-	
Four years later	(146,476,513)	(51,146,402)	(53,182,787)	(60,827,144)	(81,651,303)	-	-	-	-	
Five years later	(148,368,623)	(49,981,678)	(54,115,644)	(62,024,101)	-	-	-	-	-	
Six years later	(148,122,562)	(50,327,025)	(54,847,192)	-	-	-	-	-	-	
Seven years later	(151,018,374)	(51,000,888)	-	-	-	-	-	-	-	
Eight years later	(153,183,424)	-	-	-	-	-	-	-	-	
Cumulative payment to date	(153,183,424)	(51,000,888)	(54,847,192)	(62,024,101)	(81,651,303)	(101,644,006)	(106,758,901)	(102,323,961)	(56,418,112)	(769,851,888)
Gross insurance contract outstanding claims at 31 December 2015	5,949,199	862,738	4,023,156	2,284,897	3,091,244	5,973,044	14,284,412	14,187,785	35,619,427	86,275,902
Incurred but not reported reserve included into the outstanding claims reserve at 31 December 2015									11,184,208	11,184,208
Total gross insurance outstanding claims provision per statement of financial position at 31 December 2015	5,949,199	862,738	4,023,156	2,284,897	3,091,244	5,973,044	14,284,412	14,187,785	46,803,635	97,460,110

25 RISK MANAGEMENT (continued)

(e) Financial risks

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

- A Group credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Board Audit Committee (BAC).
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The credit risk in respect of customer balances, incurred on non-payment of premiums will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position.

	31 December 2015			
Exposure to credit risk by classifying financial assets according to type of insurance	***General KD***	***Life KD***	***Unit linked KD***	***Total KD***
Investments held to maturity	**25,880,471**	-	-	**25,880,471**
Debt securities (loans)	-	**13,047,621**	**5,000,000**	**18,047,621**
Loans secured by life insurance policies	-	**5,938**	**1,341,161**	**1,347,099**
Policyholders' accounts receivable (gross)	**47,205,529**	**12,443,920**	-	**59,649,449**
Reinsurers' accounts receivable (gross)	**9,563,700**	**355,377**	-	**9,919,077**
Reinsurance recoverable on outstanding claims	**36,983,840**	**5,855,061**	-	**42,838,901**
Other assets	**1,717,234**	-	-	**1,717,234**
Time deposits	**26,671,750**	**7,989,170**	-	**34,660,920**
Cash and cash equivalents	**36,037,147**	**7,935,446**	-	**43,972,593**
Total credit risk exposure	**184,059,671**	**47,632,533**	**6,341,161**	**238,033,365**

	31 December 2014			
Exposure to credit risk by classifying financial assets according to type of insurance	*General KD*	*Life KD*	*Unit linked KD*	*Total KD*
Investments held to maturity	19,271,576	-	-	19,271,576
Debt securities (loans)	-	6,828,083	4,905,065	11,733,148
Loans secured by life insurance policies	-	2,709	1,263,444	1,266,153
Policyholders' accounts receivable (gross)	35,268,262	10,796,121	-	46,064,383
Reinsurers' accounts receivable (gross)	6,804,850	362,342	-	7,167,192
Reinsurance recoverable on outstanding claims	45,085,249	5,055,061	-	50,140,310
Other assets	1,560,006	-	-	1,560,006
Time deposits	22,558,218	1,007,320	-	23,565,538
Cash and cash equivalents	46,974,219	26,201,911	-	73,176,130
Total credit risk exposure	177,522,380	50,253,547	6,168,509	233,944,436

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the financial assets at 31 December 2015 by classifying assets according to International credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as not rated.

Exposure to credit risk by classifying financial assets according to international credit rating agencies *31 December 2015*	*AAA KD*	*AA KD*	*A KD*	*BBB KD*	*BB and below KD*	*Not rated KD*	*Total KD*
Investments held to maturity	-	94,717	651,636	1,667,353	23,272,562	194,203	25,880,471
Debt securities (loans)	-	-	-	11,979,621	6,068,000	-	18,047,621
Loans secured by life insurance policies	-	-	-	-	-	1,347,099	1,347,099
Policyholders' accounts receivable (gross)	-	1,091,476	836,731	19,684,597	807,467	37,229,178	59,649,449
Reinsurers accounts receivable (gross)	-	488,890	4,043,093	1,648,797	1,108,714	2,629,583	9,919,077
Reinsurance recoverable on outstanding claims	486,876	5,591,735	20,436,186	6,091,053	4,911,865	5,321,186	42,838,901
Other assets	-	-	-	-	-	1,717,234	1,717,234
Time Deposits	-	-	17,121,802	15,162,600	1,653,350	723,168	34,660,920
Cash and cash equivalents	147,691	498,422	21,942,884	11,179,577	9,159,940	1,044,079	43,972,593
Total credit risk exposure	634,567	7,765,240	65,032,332	67,413,598	46,981,898	50,205,730	238,033,365

Unrated responses are classified as follows using internal credit ratings.

	Neither past due nor impaired			
31 December 2015	*High grade KD*	*Standard grade KD*	*Past due or impaired KD*	*Total KD*
Investments held to maturity	428	193,775	-	194,203
Loan secured by life insurance policy	1,347,099	-	-	1,347,099
Policyholders' accounts receivable (gross)	22,680,006	11,165,886	3,383,286	37,229,178
Reinsurance accounts receivable (gross)	945,246	1,295,883	388,454	2,629,583
Reinsurance recoverable on outstanding claims	5,321,186	-	-	5,321,186
Other assets	1,662,234	55,000	-	1,717,234
Term deposits	723,168	-	-	723,168
Cash and cash equivalents	1,044,079	-	-	1,044,079
	33,723,446	12,710,544	3,771,740	50,205,730

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

Exposure to credit risk by classifying financial assets according to international credit rating agencies *31 December 2014*	*AAA KD*	*AA KD*	*A KD*	*BBB KD*	*BB and below KD*	*Not rated KD*	*Total KD*
Investments held to maturity	-	91,446	438,360	1,609,763	16,926,593	205,414	19,271,576
Debt securities (loans)	-	-	-	11,733,148	-	-	11,733,148
Loans secured by life insurance policies	-	-	-	-	-	1,266,153	1,266,153
Policyholders' accounts receivable (gross)		1,057,686	7,327,052	15,672,964	1,259,711	20,746,970	46,064,383
Reinsurers accounts receivable (gross)	230	221,692	2,047,386	1,422,793	591,197	2,883,894	7,167,192
Reinsurance recoverable on outstanding claims	31,776	9,495,224	28,520,435	4,244,781	2,728,092	5,120,002	50,140,310
Other assets	-	-	-	-	-	1,560,006	1,560,006
Time Deposits	-	41,000	6,454,524	12,785,679	3,312,002	972,333	23,565,538
Cash and cash equivalents	-	1,440,604	21,216,713	44,625,507	5,757,163	136,143	73,176,130
Total credit risk exposure	32,006	12,347,652	66,004,470	92,094,635	30,574,758	32,890,915	233,944,436

Unrated responses are classified as follows using internal credit ratings.

	Neither past due nor impaired			
31 December 2014	*High grade KD*	*Standard grade KD*	*Past due or impaired KD*	*Total KD*
Investments held to maturity	414	205,000	-	205,414
Loan secured by life insurance policy	1,266,153	-	-	1,266,153
Policyholders' accounts receivable (gross)	15,829,239	4,856,353	61,378	20,746,970
Reinsurance accounts receivable (gross)	2,368,467	515,427	-	2,883,894
Reinsurance recoverable on outstanding claims	4,971,897	148,105	-	5,120,002
Other assets	9,848	1,550,158	-	1,560,006
Term deposits	972,333	-	-	972,333
Cash and cash equivalents	136,143	-	-	136,143
	25,554,494	7,275,043	61,378	32,890,915

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

The following table represents the aging analysis of premiums and insurance balance receivable that are not past due nor impaired:

	Up to 1 month KD	*Within 1-3 months KD*	*Within 3-12 months KD*	*More than 1 year KD*	*Total KD*
31 December 2015:					
Policyholders' accounts receivable (net)	**17,092,763**	**12,762,305**	**22,869,905**	**332,295**	**53,057,268**
Reinsurance receivables (net)	**2,821,007**	**2,712,543**	**2,956,441**	**658,665**	**9,148,656**
Total	**19,913,770**	**15,474,848**	**25,826,346**	**990,960**	**62,205,924**

	Up to 1 month KD	*Within 1-3 months KD*	*Within 3-12 months KD*	*More than 1 year KD*	*Total KD*
31 December 2014:					
Policyholders' accounts receivable (net)	4,750,615	12,314,945	23,320,059	261,172	40,646,791
Reinsurance receivables (net)	1,810,457	721,715	2,502,677	1,482,561	6,517,410
Total	6,561,072	13,036,660	25,822,736	1,743,733	47,164,201

(2) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Management monitors liquidity requirements on a daily basis and ensures that sufficient funds are available. The Group has sufficient liquidity and, therefore, does not resort to borrowings in the normal course of business.

The table below summarises the maturity of the financial liabilities of the Group based on remaining undiscounted contractual obligations for 31 December. As the Group does not have any interest bearing liabilities (except bank overdrafts), the figures below agree directly to the consolidated statement of financial position.

	Up to 1 month KD	*Within 1-3 months KD*	*Within 3-12 months KD*	*Within 1-5 years KD*	*Within 5-10 years KD*	*Total KD*
31 December 2015						
Premiums received in advance	**-**	**438,790**	**2,069,528**	**1,438,113**	**-**	**3,946,431**
Insurance payable	**10,731,840**	**8,134,506**	**21,058,936**	**7,018,825**	**2,236,359**	**49,180,466**
Other liabilities	**3,936,758**	**1,747,663**	**9,278,706**	**7,426,032**	**-**	**22,389,159**
Bank overdrafts	**-**	**-**	**26,381,565**	**-**	**-**	**26,381,565**
	14,668,598	**10,320,959**	**58,788,735**	**15,882,970**	**2,236,359**	**101,897,621**

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(2) Liquidity risk (continued)

31 December 2014	*Up to 1 month KD*	*Within 1-3 months KD*	*Within 3-12 months KD*	*Within 1-5 years KD*	*Within 5-10 years KD*	*Total KD*
Premiums received in advance	-	24,016	451,839	285,589	-	761,444
Insurance payable	6,858,001	8,411,339	19,726,193	7,203,908	2,182,625	44,382,066
Other liabilities	4,367,520	1,953,302	8,726,727	6,714,864	-	21,762,413
Bank overdrafts	-	-	21,532,000	-	-	21,532,000
	11,225,521	10,388,657	50,436,759	14,204,361	2,182,625	88,437,923

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises three types of risk: currency risk, interest rate risk and commodity and equity rate price risk.

The Group has developed its policies and procedures to enhance the Group's mitigation of market risk.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's principal transactions are carried out in KD and its exposure to foreign exchange risk arises primarily with respect to US dollar, Bahraini dinar, Egyptian pound, Jordanian dinar, Euro, and Pound sterling.

The Group's financial assets are primarily denominated in the same currencies as its insurance and investment contract liabilities, which mitigate the foreign currency exchange rate risk. Thus the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance and investment contract liabilities are expected to be settled. The currency risk is effectively managed by the Group through financial instruments as well as the Group's Asset Liability Management model.

The table below summarises the Group's exposure to foreign currency exchange rate risk at reporting date by categorising assets and liabilities by major currencies.

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2015: **ASSETS**	***Local currency KD equivalent***	***USD KD equivalent***	***BD KD equivalent***	***EGP KD equivalent***	***JD KD equivalent***	***Euro KD equivalent***	***GBP KD equivalent***	***Other KD equivalent***	***Total KD***
Property and equipment	5,794,266	-	2,705,920	2,772,438	2,516,091	-	-	2,942,119	16,730,834
Investments in associates	20,201,136	-	1,775,878	1,835,639	-	-	-	15,821,017	39,633,670
Goodwill	-	-	2,625,935	476,244	5,292,099	-	-	4,537,054	12,931,332
Investments held to maturity	500,520	1,209,041	1,346,877	19,775,539	428	-	-	3,048,066	25,880,471
Debt securities (loans)	5,800,000	12,247,621	-	-	-	-	-	-	18,047,621
Investments available for sale	5,833,738	2,260,497	5,089,578	-	4,355,190	-	-	4,267,595	21,806,598
Investments carried at fair value thorough income statement	9,489,896	2,046,360	-	2,203,909	2,785,810	-	-	9,338,851	25,864,826
Loans secured by life insurance policies	1,341,161	-	-	-	-	-	-	5,938	1,347,099
Premium and insurance balances receivable	25,306,963	4,530,351	6,468,156	3,180,224	18,453,249	128,499	9,831	4,128,651	62,205,924
Reinsurance recoverable on outstanding claims	21,549,489	8,321,036	3,191,841	3,603,757	5,402,530	210,378	71,203	488,667	42,838,901
Property held for sale	-	-	-	49,927	-	-	-	3,482,627	3,532,554
Other assets	10,526,915	277,833	754,250	2,896,002	3,799,926	-	-	716,188	18,971,114
Cash and cash equivalents and time deposits	39,545,260	7,261,662	4,662,640	5,662,958	16,603,533	751,801	12,820	4,132,839	78,633,513
Total assets	**145,889,344**	**38,154,401**	**28,621,075**	**42,456,637**	**59,208,856**	**1,090,678**	**93,854**	**52,909,612**	**368,424,457**

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2015 **LIABILITIES**	***Local currency KD equivalent***	***USD KD equivalent***	***BD KD equivalent***	***EGP KD equivalent***	***JD KD equivalent***	***Euro KD equivalent***	***GBP KD equivalent***	***Other KD equivalent***	***Total KD***
Liabilities arising from insurance contracts									
Outstanding claims reserve (gross)	60,653,144	2,786,177	7,439,497	9,189,144	13,448,633	238,275	31,247	3,673,993	97,460,110
Unearned premiums reserve (net)	16,058,963	529,558	2,315,053	4,938,534	8,047,010	56,297	-	2,517,447	34,462,862
Life mathematical reserve (net)	12,554,489	12,903	-	-	-	-	-	9,376,550	21,943,942
Incurred but not reported reserve (net)	1,650,000	-	-	-	-	-	-	-	1,650,000
Total liabilities arising from insurance contracts	90,916,596	3,328,638	9,754,550	14,127,678	21,495,643	294,572	31,247	15,567,990	155,516,914
Premiums received in advance	3,761,694	45,122	139,615	-	-	-	-	-	3,946,431
Insurance payable	19,864,969	9,055,239	4,395,492	2,278,248	12,104,908	1,052	(41,858)	1,522,416	49,180,466
Other liabilities	15,200,697	227,842	1,445,099	2,465,217	1,307,768	-	2,701	1,739,835	22,389,159
Bank overdrafts	16,423,959	9,957,606	-	-	-	-	-	-	26,381,565
Total liabilities	146,167,915	22,614,447	15,734,756	18,871,143	34,908,319	295,624	(7,910)	18,830,241	257,414,535

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2014: ASSETS	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
Property and equipment	5,934,905	-	2,746,129	2,721,295	2,443,750	-	-	1,836,131	15,682,210
Investments in associates	15,599,515	-	-	1,659,856	-	-	-	10,882,720	28,142,091
Goodwill	-	-	2,625,935	476,244	5,292,099	-	-	604,073	8,998,351
Investments held to maturity	-	1,459,745	1,300,356	16,511,061	414	-	-	-	19,271,576
Debt securities (loans)	5,800,000	5,933,148	-	-	-	-	-	-	11,733,148
Investments available for sale	16,597,484	5,214,483	5,043,985	-	3,590,314	-	-	4,724,416	35,170,682
Investments carried at fair value thorough income statement	3,928,454	903,765	-	2,341,804	2,138,487	-	-	10,541,914	19,854,424
Loans secured by life insurance policies	1,263,444	-	-	-	-	-	-	2,709	1,266,153
Premium and insurance balances receivable	21,841,640	2,669,736	2,904,199	2,714,458	13,091,906	136,826	27,669	3,777,767	47,164,201
Reinsurance recoverable on outstanding claims	27,007,184	7,386,259	5,580,658	2,481,487	6,051,030	17,285	-	1,616,407	50,140,310
Property held for sale	-	-	-	54,072	-	-	-	232,804	286,876
Other assets	4,654,343	246,423	726,905	2,459,746	3,904,587	-	-	775,637	12,767,641
Cash and cash equivalents and time deposits	48,569,328	11,484,232	5,825,346	7,805,492	17,075,176	1,148,854	15,975	4,817,265	96,741,668
Total assets	151,196,297	35,297,791	26,753,513	39,225,515	53,587,763	1,302,965	43,644	39,811,843	347,219,331

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2014 LIABILITIES	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
Liabilities arising from insurance contracts									
Outstanding claims reserve (gross)	63,428,764	2,141,388	9,587,013	6,132,340	12,274,596	18,535	19,016	4,843,271	98,444,923
Unearned premiums reserve (net)	16,334,619	224,802	2,177,882	4,303,609	7,931,098	65,743	-	1,616,347	32,654,100
Life mathematical reserve (net)	11,110,687	1,761	-	-	-	-	-	10,585,197	21,697,645
Incurred but not reported reserve (net)	1,650,000	-	-	2,017,512	-	-	-	458,784	4,126,296
Total liabilities arising from insurance contracts	92,524,070	2,367,951	11,764,895	12,453,461	20,205,694	84,278	19,016	17,503,599	156,922,964
Premiums received in advance	586,253	-	121,082	-	-	-	-	54,109	761,444
Insurance payable	20,183,937	5,240,297	2,870,808	3,179,788	10,076,245	12,181	61,719	2,757,091	44,382,066
Other liabilities	14,889,777	647,730	1,418,563	2,257,149	1,454,086	52,735	-	1,042,373	21,762,413
Bank overdrafts	20,439,802	-	-	-	-	-	-	1,092,198	21,532,000
Total liabilities	148,623,839	8,255,978	16,175,348	17,890,398	31,736,025	149,194	80,735	22,449,370	245,360,887

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit (due to changes in fair value of currency sensitive monetary assets and liabilities).

	Change in variables	2015 Impact on profit KD	2015 Impact on equity KD	2014 Impact on profit KD	2014 Impact on equity KD
USD	±5%	**663,973**	**113,025**	1,752,091	260,724
BD	±5%	**301,043**	**343,273**	528,908	252,199
EGP	±5%	**1,087,493**	**91,782**	1,066,756	82,993
JD	±5%	**997,267**	**217,760**	1,092,587	179,515

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed interest rate instruments expose the Group to fair value risk.

The Group's interest rate risk guideline requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The guideline also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. The Group is not exposed to interest rate risk with respect of its term deposits carrying fixed interest rates.

The Group has no significant concentration of interest rate risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

Currency	2015 Change in variables	2015 Impact on profit before tax KD	2014 Change in variables	2014 Impact on profit before tax KD
KD	**±50 bps**	**104,194**	±50 bps	156,563
USD	**±50 bps**	**73,168**	±50 bps	1,550
BD	**±50 bps**	**23,903**	±50 bps	26,477
Others	**±50 bps**	**139,812**	±50 bps	132,885

The method used for deriving sensitivity information and significant variables did not change from the previous year.

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(iii) Equity price risk

The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through income statement (including trading securities) or available for sale investments.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group management and the Investment Strategy and Policy.

The equity price risk sensitivity is determined on the following assumptions:

	2015	*2014*
	%	*%*
Kuwait market	**(14%)**	(14%)
Rest of GCC market	**(31%)**	6%
MENA	**(6%)**	14%
Other international markets	**4%**	11%

The above percentages have been determined based on basis of the average market movements over a year period from January to December 2015 and 2014. The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. The analysis reflects the impact of changes to equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions.

	Profit for the year		*Equity*	
	2015	*2014*	***2015***	*2014*
	KD	*KD*	***KD***	*KD*
Investment carried at fair value through income statement	**(1,984,987)**	153,085	-	-
Investments available for sale	-	-	**(4,434,708)**	758,790

The table below presents the geographical concentration of financial instruments exposed to equity price risk:

31 December 2015	***GCC***	***MENA***	***Europe***	***Total***
	KD	***KD***	***KD***	***KD***
Investments available for sale	**15,787,232**	**6,019,366**	**-**	**21,806,598**
Investments carried at fair value through income statement	**6,740,143**	**9,413,441**	**9,711,242**	**25,864,826**
	22,527,375	**15,432,807**	**9,711,242**	**47,671,424**

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(iii) Equity price risk (continued)

31 December 2014	*GCC* *KD*	*MENA* *KD*	*Europe* *KD*	*Total* *KD*
Investments available for sale	26,674,346	8,496,336	-	35,170,682
Investments carried at fair value through income statement	4,229,891	4,802,558	10,821,975	19,854,424
	30,904,237	13,298,894	10,821,975	55,025,106

26 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions with related parties included in the consolidated statement of income are as follows:

	2015		*2014*	
	Premiums ***KD***	***Claims*** ***KD***	*Premiums* *KD*	*Claims* *KD*
Directors and key management personnel	**255,440**	**100,643**	249,472	34,984
Other related parties	**3,875,121**	**444,054**	3,439,791	443,138
	4,130,561	**544,697**	3,689,263	478,122

Balances with related parties included in the consolidated statement of financial position are as follows:

	2015		*2014*	
	Amounts owed by related parties ***KD***	***Amounts owed to related parties*** ***KD***	*Amounts owed by related parties* *KD*	*Amounts owed to related parties* *KD*
Directors and key management personnel	**129,831**	**24,719**	193,447	-
Other related parties	**691,672**	**1,656,731**	592,514	958,727
	821,503	**1,681,450**	785,961	958,727

In addition to the above balances, the Group has also engaged with related parties in its investment activities as follows:

a) The Group holds certain deposits and call accounts with related entities under common control amounting to KD 7,619,836 (2014: KD 17,795,406). The Group also holds bonds issued by Kuwait Projects Company Holding Company K.S.C and other related entity amounting to KD 10,979,621 (2014: KD 10,733,148).

b) Included under other assets an amount of KD 1,402,689 (2014: KD 1,402,689) which represents loan granted to an entity under common control. This loan is interest free and repayable on demand.

26 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation

	2015 *KD*	*2014* *KD*
Salaries and other short term benefits	**824,527**	895,662
Employees' end of service benefits	**120,007**	205,387
	944,534	1,101,049

27 SUBSIDIARIES COMPANIES

The consolidated financial statements include the following subsidiaries:

		% ownership 2015			*% ownership 2014*			
Entity	***Country of incorporation***	***Direct***	***In-direct***	***Total %***	*Direct*	*In-direct*	*Total %*	***Nature of operation***
Gulf Insurance and Reinsurance Company K.S.C.(closed)	Kuwait	**99.80%**	-	**99.80%**	99.80%	-	99.80%	Life and medical insurance and General risk
Fajr Al Gulf Insurance and Reinsurance Company S.A.L.	Lebanon	**92.51%**	**0.18%**	**92.69%**	92.51%	0.18%	92.69%	General risk and life insurance and Reinsurance
Arab Misr Insurance Group Company S.A.E.	Egypt	**94.85%**	-	**94.85%**	94.85%	-	94.85%	General risk insurance
Syrian Kuwait Insurance Company S.S.C.	Syria	**38.96%**	**15.39%**	**54.35%**	38.96%	15.39%	54.35%	General risk and life insurance
Bahrain Kuwaiti Insurance Company B.S.C.	Bahrain	**56.12%**	-	**56.12%**	56.12%	-	56.12%	General risk insurance
Arab Orient Insurance Company J.S.C. *	Jordan	**90.37%**	-	**90.37%**	90.18%	-	90.18%	General risk insurance
Egypt Life Takaful Insurance Company S.A.E.	Egypt	**8.75%**	**50.75%**	**59.50%**	8.75%	50.75%	59.50%	Life Takaful insurance
Dar Al-Salam Insurance Company	Iraq	**51.00%**	-	**51.00%**	51.00%	-	51.00%	General risk & life insurance
L'Algerienne Des Assurance (2a) **	Algeria	**49.00%**	**2.00%**	**51.00%**	-	-	-	General risk insurance

* During 2015, the Group acquired additional equity interest in Arab Orient Insurance Company J.S.C. for KD 31,834. Accordingly, the Group's ownership increased from 90.18% to 90.37% as at 31 December 2015. The excess of the consideration transferred over the fair value of net identifiable assets acquired of KD 6,500 has been recognised under other reserve within equity.

** During 2015, the Group acquired equity interest of 51% in L'Algerienne Des Assurances ("2a"), a company incorporated in Algeria and engaged in non-life insurance, for a consideration of KD 7,386,954. Having obtained control, the Group consolidated 2a from the acquisition date based on the provisional values assigned to the identifiable assets and liabilities as on the acquisition date. The management is in the process of determining the fair values of assets acquired and liabilities assumed. Provisional goodwill recorded amounts to KD 3,932,981.

28 TAKAFUL INSURANCE - POLICYHOLDERS' RESULT BY LINE OF BUSINESS AND FUND

The Group (Manager of Takaful Fund) conducts business on behalf of the policyholders and advances funds to the policyholders' operations as and when required. The Manager of Takaful Fund is responsible for liabilities incurred by policyholders in the event the policyholders' fund is in deficit and the operations are liquidated. The Manager holds the physical custody and title of all assets related to the policyholders' operations however such assets and liabilities together with the results of policyholders' lines of business are presented as due to policyholders of Takaful unit in the Parent Company's statement of financial position and the details are disclosed below.

Takaful business in the Group consists of the Takaful Insurance Unit established by the Parent Company and the Takaful fund of its subsidiary Egypt Life Takaful Insurance Company (S.A.E).

Policyholders' result by line of business:

The following tables summarise the consolidated policyholders' results by line of business and fund:

For the year ended 31 December 2015:

	Marine and aviation KD	***Property KD***	***Motor KD***	***Engineering KD***	***General accidents KD***	***Life and medical KD***	***Total KD***
Premium written	**121,099**	**245,850**	**197,934**	**31,371**	**98,269**	**16,728,034**	**17,422,557**
(Deficit) surplus from insurance operations	**(4,648)**	**26,610**	**(4,957)**	**(5,844)**	**29,889**	**(464,517)**	**(423,467)**

For the year ended 31 December 2014:

	Marine and aviation KD	*Property KD*	*Motor KD*	*Engineering KD*	*General accidents KD*	*Life and medical KD*	*Total KD*
Premium written	171,586	161,148	126,220	21,394	140,113	12,259,897	12,880,358
Surplus (deficit) from insurance operations	62,607	16,213	(2,886)	7,535	41,014	281,863	406,346

	2015 KD	*2014 KD*
Amounts due to policyholders (Note 15)	**1,200,411**	278,355

29 FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2015:

			Fair value measurement using		
	Date of valuation	**Total** *KD*	**Quoted prices in active markets (Level 1)** *KD*	**Significant observable inputs (Level 2)** *KD*	**Significant unobservable inputs (Level 3)** *KD*
Assets measured at fair value					
Investments available for sale:					
Quoted equity securities	31 December 2015	**17,525,235**	**17,525,235**	-	-
Unquoted equity securities	31 December 2015	**4,019,187**	-	-	**4,019,187**
Unquoted managed funds	31 December 2015	**164,466**	-	**37,932**	**126,534**
Investments carried at fair value through income statements:					
Held for trading:					
Quoted securities	31 December 2015	**11,538,502**	**11,538,502**	-	-
Designated upon initial recognition:					
Managed funds of quoted Securities	31 December 2015	**14,326,324**	**14,326,324**	-	-
		47,573,714	**43,390,061**	**37,932**	**4,145,721**

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2014:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		KD	*KD*	*KD*	*KD*
Assets measured at fair value					
Investments available for sale:					
Quoted equity securities	31 December 2014	21,697,303	21,697,303	-	-
Unquoted equity securities	31 December 2014	13,215,246	-	8,851,050	4,364,196
Unquoted managed funds	31 December 2014	163,377	-	-	163,377
Investments carried at fair value through income statements:					
Held for trading:					
Quoted securities	31 December 2014	5,008,511	5,008,511	-	-
Designated upon initial recognition:	31 December 2014				
Managed funds of quoted securities		14,845,913	14,845,913	-	-
		54,930,350	41,551,727	8,851,050	4,527,573

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

	At 1 January 2015 KD	***Transfer from Level 3 to Level 2 KD***	***Transfer from available for sale to investment in associate KD***	***Loss recorded in the consolidated statement of income KD***	***Gain recorded in the consolidated statement of comprehensive income KD***	***Net purchases and disposals KD***	***At 31 December 2015 KD***
Financial assets available for sale:							
Unquoted equity securities	**4,364,196**	**-**	**-**	**(189,722)**	**155,490**	**(310,777)**	**4,019,187**
Unquoted managed funds	**163,377**	**(37,932)**	**-**	**-**	**1,089**	**-**	**126,534**
	4,527,573	**(37,932)**	**-**	**(189,722)**	**156,579**	**(310,777)**	**4,145,721**

	At 1 January 2014 KD	*Transfer from carried at cost to Level 3 KD*	*Transfer from available for sale to investment in associate KD*	*Loss recorded in the consolidated statement of income KD*	*(Loss) / gain recorded in the consolidated statement of comprehensive income KD*	*Net purchases and disposals KD*	*At 31 December 2014 KD*
Financial assets available for sale:							
Unquoted equity securities	5,585,067	-	(1,138,750)	(11,210)	(66,734)	(4,177)	4,364,196
Unquoted managed funds	356,636	-	-	(84,230)	82,918	(191,947)	163,377
	5,941,703	-	(1,138,750)	(95,440)	16,184	(196,124)	4,527,573

The calculation of fair value of level 3 financial instruments is not materially sensitive to changes in assumptions.

Description of significant unobservable inputs to valuation of financial assets:
Local unquoted securities represent delisted securities on local stock exchange, which are valued based on last traded prices, adjusted for additional impairment losses recognised on a prudent basis. The Group is confident of realising the remaining amount and believes it to be reasonable estimates of fair value.

Unquoted equity investment is valued based on net book value method using latest available financial statement of the investee entity, wherein the underlying assets are fair valued.

30 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains strong capital base and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issues new shares or purchase/sale of treasury shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014. The Group monitors its capital at the Group level and at each of its subsidiaries.

The Group monitors capital using a gearing ratio "Financial Leverage Ratio", which is net debt divided by total capital plus net debt. The Group includes within net debt, credit facilities granted from banks (such as loans and bank overdrafts) and debt securities issued (if exist). Capital represents equity attributable to the equity holders of the Parent Company.

The Group's strategy is to keep its gearing ratio within the range of 20% to 30%. The Group's gearing ratio as at 31 December was as follows:

	2015 ***KD***	*2014* *KD*
Credit facilities:		
Bank overdrafts	**26,381,565**	21,532,000
Net debt	**26,381,565**	21,532,000
Equity attributable to the equity holders of the Parent Company	**89,582,977**	84,179,474
Total capital and net debt	**115,964,542**	105,711,474
Gearing ratio	**22.7%**	20.4%

Liabilities arising from insurance contracts are usually checked against designated funds to policyholders as per the regulators of each country of the Group's operations, and is monitored on periodic basis through an adequate Asset Liability Model developed at Parent Company level as well as subsidiaries level.

Insurance and reinsurance payables are also monitored against insurance and reinsurance receivables.

All the above ratios are monitored on periodic basis and any breach (if exists) is directly reported to the key management for their information and immediate actions.